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J. C. Folger to Be N. Y. S. E. Member

WASHINGTON, D. C. — John Clifford Folger will acquire the New York Stock Exchange membership of E. Vail Stebbins as of November 9th. Mr. Folger, president of Folger, Nolan & Co., Inc., will reorganize the firm as Folger, Nolan & Co., a partnership consisting of himself and James Parker Nolan. Offices of the firm are located at 730 Fifteenth Street, N. W.

John Clifford Folger

Mr. Folger is president of the Investment Bankers Association of America.

In This Issue

PICTURES taken at the recent Business Meeting and Dinner of the NEW YORK SECURITY DEALERS ASSOCIATION appear on pages 1928 and 1929.

Special material and items with reference to dealer activities in PENNSYLVANIA on pages 1922 and 1923.

INDEX of regular Features on page 1944.

Uneconomic Compulsions of Corporate Taxation

By RANDOLPH E. PAUL*

Former General Counsel of the Treasury

Former Treasury Official Lists Uneconomic Actions Taken by Corporations Because of Tax Laws. These Comprise (1) Pension Trusts; (2) Stock Options Given in Lieu of High Salaries; (3) Heavier Expenditures to Avoid Excess Profits Taxes and Getting Advantages of "Carry-Backs"; (4) Unreasonable Surplus Accumulations; (5) Financing Through Borrowing; (6) Enlarged Depreciation Charges, and (7) "Disincorporation." Favors Legislation to Nullify or Minimize These "Compulsions" but Says Effect Will Be Clouded by Uncertainties and Conflicting Forces After the War.

We've been hearing a lot lately about the so-called indispensable man. Back in Civil War days General Grant called Maj. Gen. Aaron Rowlins "the most nearly indispensable man" on his staff. Rowlins' job was to keep Grant sober, to reword his orders and dispatches without changing their meaning, to give advice when he was asked for it, and from time to time to restore Grant's faith in himself.

Randolph E. Paul

Most of us could do with a Rowlins. But Rowlins—and General Grant—lived before the era of big business, big wars, and big taxes. A new kind of indispensable man has emerged on the 1944 horizon. The men who make

*An address made by Mr. Paul before the American Institute of Accountants, St. Louis, Mo., October 19, 1944.

(Continued on page 1934)

Post-War Aspects of Aviation Industry

By JOSEPH P. RIPLEY*

Chairman, Harriman Ripley & Co., Incorporated

Investment Banker Calls Attention to Broad Field of Aviation Industries and to Difficult Problems Involved in Their Financing. Predicts that Post-War Airplane Production Though Vastly Diminished from High War-Time Level Will Greatly Exceed Pre-War Output and Considerable Financing Will Be Required. Views Optimistically Air Transport's Future but Holds Its Expansion Should Be Financed by Stock Issues, Although He Foresees Issuance of Airplane Equipment Obligations Analogous to Railroad Equipment Trusts.

The topic which you have asked me to deal with is of vast dimensions and I approach it in all humility. It relates to the future post-war period which is engulfed in many, many uncertainties pertaining to political, economic and social problems worldwide in scope.

Moreover, aviation is in no sense a simple or integrated single industry. The term is broad enough to comprehend several industries whose problems, financial and otherwise, are

Joseph P. Ripley

*An address by Mr. Ripley before the Cornell Society of Engineers, New York City, Oct. 30, 1944.

(Continued on page 1932)

Problems of Investment In a Regulated Market

By THOMAS W. PHELPS*

Partner, Francis I. du Pont & Co.

Member of New York Stock Exchange Firm Concludes Net Result of Regulation Is That the Investor Is Less Likely to Be Victimized but Is No Less In Danger of Losing His Shirt. Views Margin Rules as Unsound Since They Lead to Speculation in Low Priced Shares. Advocates Removal Of Penalties on Trading by Insiders but Would Require Reporting of Transactions to the SEC and Public Within 48 Hours.

The lecture in which you and I are participating tonight is part of a course entitled, "Ten Years of the Securities and Exchange Commission." But the topic with which we are to struggle is "Problems of Investment in a Regulated Market," and the more I have thought about it the less it seems to me our topic has to do with the SEC. Problems of investment in a regulated market are problems of investment in any market. The most that regulation can hope to ac-

Thomas W. Phelps

*An address made by Mr. Phelps at the New School of Social Research, New York City, Oct. 27, 1944.

(Continued on page 1936)

Employment as Affected By Imports and Tariff Policy

By FRANK CIST

Writer Contends that International Trade Does Not Affect Employment Since It Merely "Tends to Create New Export Employment As Fast As It Destroys Employment." Therefore Proposes that Tariffs Be Frozen or that Trade Treaties Prohibit Increases. Maintains that Normally International Payments Balance, but Because of Abnormal Conditions Arising Primarily out of Heavy Sales Abroad on Credit, the Balance Is Disturbed and Leads to a Violent Shift from Excess Employment When Sales are Made to Excess Unemployment When Sales are Paid for. Criticizes Hull Program As Unpredictable and Open to Political Abuse.

There is wide agreement among those who ought to know, that an essential factor in the economic reconstruction of the world will be prosperity right here at home. Agreement, unfortunately, is lacking either on how we can create and maintain this prosperity or how we can use it to best advantage for relief abroad when we get it. Does the Reciprocal Trade Agreement program, for instance, help employment here or hurt it? Has it helped put foreign lending on a sounder basis or not? On such questions we get heated rather than convincing answers. Exporters and free trade enthusiasts are vehement in claiming that tariffs, which block the means of payment for export sales, are ruinous of employment. Protected industry, on the other hand, is even more violently convinced that tariffs, which shut out foreign competition, are essential to preserve employment. Where, in this collision, lies the truth? The average citizen, who has no axe to grind but just wants peace and jobs, would like to know.

Frank Cist

It is not straddling fences to say that both sides have truth. Competing foreign goods necessarily displace their equivalent of domestic goods and employment, just as protected industry claims they do. Payment for these goods, however, creates foreign purchasing power for American goods and these cannot be made without employment here. Foreign trade, as consequence, tends to create new export employment as fast as

(Continued on page 1938)

S. Weinberg & Co. Is Formed in New York

Announcement is made of the formation of S. Weinberg & Co., 60 Wall Street, New York City, composed of Samuel Weinberg and Philip Weinberg, to conduct a general brokerage business in unlisted securities servicing banks, brokers and dealers. The new firm has become members of the New York Security Dealers Association. Samuel Weinberg has been in the "Street" for over 20 years, recently having been associated with C. E. de Willers & Co., as Manager of their Trading Department.

Post-War Problem Is One of Deflation and Not Inflation

Dr. Julius Hirsch, Chief of German Price Control Board During Last War, Tells Mortgage Bankers Our Concern Should Be to Prevent Serious Drop in Post-War Prices. Predicts Unemployment and Low Interest Rates and Says that Adverse Effect of Large National Debt Is Offset by Increased Productivity.

Dr. Julius Hirsch who was Chief of the German Price Control Board in 1916 and later State Secretary of Commerce for the German Republic, but who fled Germany when Hitler took power, and who came to the United States in 1941, spoke before the Association of Mortgage Bankers in Chicago on Oct. 17 on the outlook for prices after the war.

Julius Hirsch

"Our concern," said Dr. Hirsch, "is not about post-war prices being too high but about their being too low.

"A year ago a high official said we would have to ration ourselves for four years after the war to feed Europe. Rationing is already ended for most foodstuffs. Nobody knows how the huge carryover of cotton will ever be disposed of. We have more wool than we need for two and one-half years of normal consumption even if not one ounce of new wool is produced.

"Feed Europe? Some weeks

(Continued on page 1930)

Elmer E. Myers With B. W. Pizzini & Co.

Elmer E. Myers will become associated with B. W. Pizzini & Co., Inc., 55 Broadway, New York City, on Nov. 6, as manager of the trading department. Mr. Myers was recently with Merrill Lynch, Pierce, Fenner & Beane, with which he became connected after leaving the armed forces. Before entering the service he was with L. F. Rothschild & Co. as manager of the unlisted department and prior thereto with Sutro Bros. & Co. for a number of years in charge of the unlisted trading department.

Elmer E. Myers

He was one of the organizers of the Security Traders Association of New York.

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Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.

NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

OPA Policies Creating Unnecessary Scarcities

By DR. IVAN WRIGHT
Professor of Economics, Brooklyn College

Dr. Wright Uses the Present Position of the Underwear Industry as an Illustration of the Need for Upward Price Adjustments in Cases Where Earnings Trends, Due to Cut-Backs and Similar Changes, Are Turning Downward, and When It Is Vital to Keep Concerns Operating and to Maintain the Output of Consumer Goods During Reconversion.

One of the most difficult price adjustment problems confronting the Office of Price Administration is to determine how soon, in case of a reversal in the earnings trend of an industry or an individual company, an upward price revision must be granted.


Dr. Ivan Wright

This problem will take on added weight as reconversion progresses and more companies return from all-out or predominant war production to normal civilian output. In industries for which the war merely meant that Uncle Sam became their main customer because their normal peacetime products are of vital importance for the conduct of the war, reconversion will of necessity mean a shrinkage in volume and consequently a decline in their over-all earnings.

The underwear industry is a case in point. The impact of war orders was so heavy that its operations during 1942 and the early part of 1943 were boosted to a level of 125 to 135% of its prewar output. This increase in volume was directly responsible for the favorable earnings trend for the industry as a whole during the years 1942 and 1943.

Already there are indications,

(Continued on page 1940)

Character and the New Deal

A Tragedy In Three Acts

By J. AUSTIN WHITE, J. Austin White & Co., Cincinnati, Ohio

The 12 years since 1933 have brought the greatest decline in the character of the American people that this nation has ever witnessed — and, may God grant, ever will witness. Happily, be it said, the people appear to be showing signs of returning, like the prodigal son, to a realization that the golden calf they have been worshipping glitters only while the sun shines. It behooves each of us, in this hour of decision, to leave "the ninety and nine" troubles of our own everyday business and search for the broad fundamental truths of life that may lead this nation of ours, not further down the road of degradation, but upward to the heights of individual self-respect, self-confidence, self-reliance.


J. Austin White

The course of the past 12 years has been the more insidious in that it is the character of the individual that has been broken. Efforts at reconstruction must be aimed at restoring self-esteem, and the proper basis therefor, to the individual.

The great spark of the Christian religion is its teaching of the importance of the individual. The great practical good underlying all Christian faiths is that any indi-

(Continued on page 1921)

Some Vanished Liberties

NASD Plan Calls for New Over-The-Counter Quotation System Designed To Limit Mark-ups. "Disclosure Rule" Bogeyman Reappears to Make For Ready Acceptance of Proposal. Such Artificial Manipulation of Open and Competitive Markets Would Deal Death Blow to Free Trade.

Elsewhere in this issue is a verbatim re-print of an article bearing the headline "NASD Adopts New System For Unlisted Prices" which appeared in the Chicago Journal of Commerce since we last went to press.

The article is highlighted by the two following reports: (a) That at the suggestion of its national quotation committee there will soon be put into effect by the National Association of Securities Dealers a new system of providing over-the-counter security quotations; and (b) that the Securities and Exchange Commission is preparing a new disclosure rule on over-the-counter transactions, and may require dealers to report prices or profits on sales of securities.

The marriage of "control of quotations" and a "disclosure rule" under one heading immediately suggests to us a red herring embodied in the implied threat that unless dealers and brokers are good little boys and acquiesce in the adoption of the quotation scheme, they will be sandbagged with the disclosure rule.

You will recognize these as the same tactics which were used in connection with the "5% spread," the general propa-

(Continued on page 1940)

Dewey Offers Program For Peacetime

The Governor, in Buffalo Address, Offers Seven Proposals. Advocates a Constitutional Amendment to Limit President's Tenure to Two Terms.

Governor Thomas E. Dewey delivered an address at Buffalo, N. Y., on Oct. 31, in which, in addition to answering several of President Roosevelt's statements made in the latter's addresses in Philadelphia and Chicago on Oct. 24 and 25, respectively, he outlined a seven-point program of his party for the peacetime years ahead. He reviewed Mr. Roosevelt's promises of full post-war employment and of aid to small business, and pronounced them as "no good." He criticized the New Deal as "tinkering first with one thing and then with another," and as not being "willing in all its years to let all the parts of this machine function smoothly."


Thomas E. Dewey

Following is the text of Mr. Dewey's Buffalo address as reported by the Associated Press:

Tonight I want to ask you to look ahead into our future as a nation. Join me in looking at what our country will face the day after victory over our enemies.

But first let me give you right now two solemn assurances prompted by the speeches of my opponent last Friday and Saturday.

(Continued on page 1941)

U.S. Can Advance $2 Billions Yearly In Foreign Credits: Bernstein

Assistant Director of Treasury's Monetary Research Division Says Credits Would Balance Our Excess Exports.

At a luncheon meeting of the International Trade Section of the New York Board of Trade, at the Hotel Astor, New York, on Oct. 27

E. M. Bernstein

Dr. Edward M. Bernstein, who is Assistant Director of the Monetary Research Division of the Treasury Department, told his audience that the United States, following the war, could have an export trade of ten billion dollars annually, and balance this against eight billions of imports by extending foreign credits of two billion dollars annually. These credits could be long-term loans and could be guaranteed by the proposed International Bank for Reconstruction and Development. He stated, however, that it should be the policy to have the credits extended by private enterprise, but if this cannot be done under reasonable terms and low interest rates, the Government should take a hand. He pointed out that when onerous terms are fixed on foreign loans there is always a greater danger of default or repudiation. By having the Bank for Reconstruction and Development guarantee the loans, the interest rates could be materially reduced, and the burden of the risks spread over a wider area.

Dr. Bernstein was optimistic regarding future expansion of world trade which he stated could, after the war, amount to combined imports and exports totaling eighty billions. The United States trade would comprise about one-fourth of this total. However, it would be necessary to maintain a high level of employment in all the leading trading nations to accomplish this objective, and high prices would have to be maintained. In this connection, he estimated that foreign credits by the United States might reach a peak of $2,500,000,000, of which about four-fifths would be in the form of long-term obligations.

"Review of Operations" Of Marine & Casualty Cos.

Mackubin, Legg & Company 22 Light Street, Baltimore, Md. members of the New York Stock Exchange, have prepared a "Review of Operations" of 38 fire marine insurance companies and 18 casualty-surety insurance companies. The review covers results of operations for a five-year period, not only in dollars, but also dollars per share, as well as the operating results percentage-wise to total operating income for each of the companies.

Each individual company report contains a circular chart showing the percentage diversification of assets at the year-end 1943 Also shown is the percentage of Government bonds and cash to net liabilities, at the year-end. which are the total liabilities less than equity in the unearned premium reserve, thus showing at a glance the liquid position of each of the companies. Another interesting item is the net operating income (after Federal taxes) for the five-year period The percent of "plow-back" to net operating income is also shown—one of the most important of all growth factors.

Copies of this interesting and unique review may be had from Mackubin, Legg & Co. upon request.

Carrere to Admit

Carrere & Co., 65 Broadway. New York City, members of the New York Stock and Curb Exchanges. will admit Charles E. Brady, Jr. to limited partnership in the firm as of November 15th.

Bond Club of Denver Elects New Officers

DENVER, COLO. — The Bond Club of Denver at their annual

Ernest E. Stone

Phillip J. Clark

election, chose the following officers:

President—Ernest Stone, Stone, Moore & Company.

Vice-President — J. H. Myers, Harris, Upham and Company.

Secretary—Robert D. Mannix, Earl M. Scanlan & Company.

Treasurer — Phillip J. Clark, Amos C. Sudler & Company.

Directors—Jack Webb, Otis & Company; Bryan E. Simpson, B. E. Simpson & Company; John J. Mullen, Garrett-Bromfield & Company; Elmer G. Longwell, Boettcher and Company.

Outstanding for Post-War

Common stock of Long-Bell Lumber offers outstanding post-war possibilities, according to a circular prepared by Comstock & Co., 231 So. La Salle St., Chicago, Ill. Copies of this interesting circular may be had from the firm upon request.

Post-War Speculation

Pressurelube common offers a promising post war speculation according to an analysis prepared by William S. Baren Co., 42 Broadway, New York City. Copies of this analysis and full details may be had by writing to William S. Baren Co.

A. A. Tibbe Forms Own Firm in St. Louis

ST. LOUIS, MO. — Anton A. Tibbe is forming A. A. Tibbe and Company with offices at 506 Olive Street, to engage in the investment business. Mr. Tibbe was formerly president of Phoenix Bond and Mortgage Company, and prior thereto was vice-president and treasurer of Redden & Co.

Presents Corporation Tax Plan

George E. Barnes, of Wayne Hummer & Co., Chicago, in the N. Y. Stock Exchange's Official Magazine, Outlines a Solution of Double Taxation of Corporate Earnings.

In the September issue of "The Exchange," official magazine of the New York Stock Exchange, George E. Barnes, a partner in Wayne Hummer & Co., members of New York Stock Exchange, Chicago, has a leading article entitled "A Plan to Simplify Corporation Taxes and a Solution of Double Taxation of Corporate Earnings." Mr. Barnes seeks to help clarify the current confusion regarding proposals for reforms in corporate taxation, particularly with reference to the removal of double taxation.

Under the proposal outlined in Mr. Barnes' plan, the individual and corporate tax rate structure has been correlated in order that small and large shareholders in our American corporations will receive a more equitable distribution of corporate earnings through a simple system of credits in personal returns. The plan sets up a permanent rate policy for future Congresses to follow.

Hundreds of business and tax men have studied this plan and claim it is workable from an administrative standpoint, politically possible of acceptance, satisfactory as a revenue raising measure and that it forms a tax rate foundation on which business can build confidently for the future, says Mr. Barnes.

A reprint of the article may be obtained from Mr. George Barnes, Wayne Hummer & Co., 105 West Adams Street, Chicago 3, Illinois.

Henry Warren, Jr., Is With W. C. Langley Co.

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Henry P. Warren, Jr., has become associated with them as manager of their Bond Department. Mr. Warren was formerly manager of the investment department for Tucker, Anthony & Co. Prior thereto he was Vice-President of E. H. Rollins & Sons, Inc., and was with J. & W. Seligman & Co. and Dillon, Read & Co.

Frederick Dressel Is With Cruttenden & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Frederick C. Dressel has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Dressel was recently with the office of the Alien Property Custodian. In the past he was with McCormick & Henderson and was a partner in McGhie, Dressel & Co.

STANY Slate for Coming Elections

Richard F. Abbe

C. E. de Willers

Louis A. Gibbs

John S. French

George Leone

The Nominating Committee of the Security Traders Association of New York has presented the following slate of officers:

President: Richard F. Abbe, Van Tuyl & Abbe.

First Vice-President: Chester E. de Willers, C. E. de Willers & Co.

Second Vice-President: L. A. Gibbs, Laird, Bissell & Meeds.

Secretary: John S. French, A. C. Allyn & Co.

Treasurer: George V. Leone, Frank C. Masterson & Co.

Directors: George Geyer, Huff, Geyer & Hecht; Harry J. Peiser, Ira Haupt & Co.; Thomas A. Larkin, Goodbody & Co.

Trustees of Gratuity Fund: William K. Porter, Hemphill, Noyes & Co.; Arthur B. Retallick, Coffin & Burr.

Delegates: Thomas G. Horsfield, Wm. J. Mericka & Co., Inc.; Michael J. Heaney, Joseph McManus & Co.; D. F. Barton, Eastman, Dillon & Co.

Alternates: Allison W. Marsland, Wood, Gundy & Co.; John F. Reilly, J. F. Reilly & Co.; Otto A. Berwald, Berwald & Co.; John D. Ohlandt, J. Arthur Warner & Co.; Jules Bean, Luckhurst & Co.

Nominating Committee (four to be selected): Lee Sherman, L. D. Sherman & Co.; Harry F. Reed, Carl M. Loeb, Rhoades & Co.; Charles H. Jann, Estabrook & Co.; E. K. Sheppard, Henry S. Robinson & Co., Inc.; Henry G. Burns, H. G. Burns & Co.; Richard M. Barnes, A. M. Kidder & Co.; Arthur W. Bertsch, G. A. Saxton & Co., Inc.; T. F. Mackessy, Abbott, Proctor & Paine.

Members of the Nominating Committee were: B. Winthrop Pizzini, B. W. Pizzini & Co., Chairman; Harry L. Arnold, Paine, Webber, Jackson & Curtis; Wellington Hunter, Hunter & Co.; H. Walter Mewing, D'Assern & Co.; Abraham Strauss, Strauss Bros.

Strategic, Growing Air Line

Chicago and Southern Airlines, Inc. is a strategic air line, flying "The valley level route" and bisecting every transcontinental air carrier, according to a study prepared by Scherck, Richter Co., Landreth Building, St. Louis 2, Mo. This air line which has attractive growth possibilities offers a most interesting situation, the study declares. Copies may be obtained upon request from Scherck, Richter Company.

Public Utility Securities

Rising Fuel Costs Affecting Utility Earnings

Fuel costs are becoming one of the most important variables in the utility expense account (other than taxes). In 1933 they accounted for only 5.9¢ out of the revenue dollar, but this year, with fuel expenditures over four times as large, they are an estimated 13.8% of gross. This is despite the fact that the number of pounds of fuel per fuel-generated kwh was only 1.31 in 1943 as compared with 1.47 pounds in 1933—a reduction of 11%. Some further economies in the use of coal would doubtless have been reflected in current figures (the most efficient plants burn only about .85 pounds per kwh) except for the tapering off of the utility building program, and the heavier use of standby plants.

There are, of course, a number of factors involved in the rising ratio of fuel cost to gross. While the more efficient use of fuel stands on the credit side, an unfavorable factor is the lower revenue per kwh, due to rate reductions and the sharp increase in the wartime industrial load which is sold at a very low rate. In 1943 average revenue per kwh for ultimate consumers was only 1.66¢ compared with 2.66¢ in 1933. Another unfavorable factor is the rising price of fuel. While exact data on this is not available, the U. S. Bureau of Labor Statistics index of the wholesale price of bituminous coal now stands at 121 compared with an average of 83 in 1933. Freight rates have also advanced. During World War I, this price index advanced from 35 in 1914 to a high of 270 in 1920 —dropping to 69 in the year following. These price gyrations largely accounted for utility troubles during that period, but fortunately Federal agencies have prevented runaway prices in the present war period.

Another unfavorable factor is the greater use of fuel-generated power as compared with hydro-electric power. In 1933, about 41% of the power generated by electric utility companies was supplied by hydro-electric plants, while this year it is estimated that only about 23% is being generated by water power. This is due to three factors: (1) While the Government has continued to develop large hydro properties, the private companies have been less active, partially due perhaps to FPC regulations but more largely to the increased efficiency of steam plants. (2) Local drought conditions have reduced hydro operations in 1943-44. (3) Most utilities with hydro facilities have steam "standby" plants, for use if water power is not fully available. These plants are usually older and less efficient. Many of them have been pressed into operation in the past three years because of the heavy wartime demands on the power companies, as well as the irregular drought effects. Since these plants use more fuel than the modern steam generating plants, their use affects the overall ratio of fuel costs to revenues.

For the month of August, net income of all Class A and B electric utilities was 6.4% below last year and for the 12 months ended August, 4.8%. During these periods operating expenses increased 6.5% and 13.2%, respectively. While the fuel component of expenses was not published, the increased use of steam power this year was probably an important factor in higher expenses.

The accompanying table tabulates some of the items discussed above for the period 1933-44. In order to eliminate the factor of lower kwh revenues, fuel costs are also shown per kwh generated (including hydro power) in mills. On this basis fuel cost has increased about 63% during the period. (Figured on the basis of fuel-generated kwh only, about 35-40% is estimated.)

After the war, the ratio of fuel costs to revenues should automatically decrease since emergency use of standby plants will decline, and the use of big blocks of low priced industrial power, already being cut back, should improve average kwh receipts.

	Revenues (Mill.)	Fuel Costs (Mill.)	Ratio to Revenues	Fuel Cost per KWH. (Mills.)	Per Cent Hydro of All Power	*Lbs. Coal per KWH.
1944 Estimate	$2,900	$409	13.8%	2.08	23%	1.31
1943	2,807	363	12.9	2.02	25	1.31
1942	2,609	283	10.9	1.80	27	1.31
1941	2,467	250	10.1	1.74	26	1.34
1940	2,277	203	8.9	1.63	29	1.35
1939	2,148	170	7.9	1.48	31	1.39
1938	2,018	148	7.4	1.42	37	1.41
1937	2,031	165	8.1	1.50	36	1.43
1936	1,911	155	8.1	1.52	34	1.44
1935	1,785	125	7.0	1.41	39	1.46
1934	1,710	116	6.8	1.42	37	1.47
1933	1,640	97	5.9	1.28	41	1.47

*For all plants "contributing to public supply."

NASD Adopts New System for Unlisted Prices

Quotations to Be Based on Figures at Which Dealers Are Willing to Do Business

By HERBERT FREDMAN

(Reprinted from the Chicago "Journal of Commerce" of Friday, Oct. 27, 1944)

A new system of providing over-the-counter security quotations has been adopted by the National Association of Securities Dealers, Inc., at the suggestion of the group's National Quotation Committee, and will be put into effect as soon as the necessary mechanism is completed.

Quotations are now arrived at by applying certain formulas to the "inside" or wholesale prices, to obtain the bid and asked figures quoted to investors. Some time ago the SEC termed these quotations "fictitious" because they were arrived at arbitrarily and did not reflect true markets, the SEC said.

The NASD committee then formulated the plan which has been adopted and which will be based on prices at which dealers are willing to do business with the public. Although details have not yet been completely worked out, the proposed system has been submitted to the SEC, and the NASD was said to feel that criticisms of the Government agency would be met.

"Inside" Quotes Called Impractical

The SEC was originally reported as having requested that "inside" quotes be furnished investors, but the NASD does not believe this would be practical.

It was also said that the SEC wanted actual transactions in the over-the-counter market published. This, investment men say, would be an almost impossible undertaking.

The staff of the SEC, it has been reported, is now preparing a new disclosure rule on over-the-counter transactions, and may require dealers to report prices or profits on sales of securities.

Will Get Prices Locally

The new NASD plan will be administered by local quotation committees in various cities. Under it the committees will obtain actual bid and asked prices from dealers who are actively trading the over-the-counter issues.

The NASD has been acting as a clearing house for over-the-counter quotations at the request of the SEC. The Association was formed under the Maloney Act of 1938, administered by the SEC, which amended the Securities and Exchange Act of 1934 to provide for the establishment of regulatory organizations for the over-the-counter securities houses, and to prevent unjust and inequitable trade practices.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; General Instrument: Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; and H. & B. American Machine preferred.

NY Security Dealers Hold Dinner Meeting

Pictures Taken At Function On Pages 1928 and 1929

The New York Security Dealers Association held a very important dinner-meeting at Sherry's on the afternoon and evening of Oct. 26, 1944. The meeting, which began at 4 p. m., was confined exclusively to the membership, and particularly to partners of firms, officers of corporations, and heads of trading departments.

The meeting was opened by Frank Dunne of Dunne & Co., President of the Association, who strongly advocated the need for the membership to be alert and on guard against anything that might conflict with the rights and public good of the investing public.

Clarence E. Unterberg of C. E. Unterberg & Co., Vice-President, spoke on the need for improvement in the present movement of handling and publishing over-the-counter quotations.

John J. O'Kane Jr., John J. O'Kane Jr. & Co., reported that the membership is larger than it has been for years past, and urged all members to unite in a stronger comprehensive movement to obtain new members.

Philip L. Carret, Secretary of the Association, set forth some interesting sidelights in respect to the past, present, and future of the industry.

The Association resolved that the members urge their customers and others seeking their advice to retain their war bonds as the soundest backlog for an investment portfolio; and that they regard any effort on the part of broker-dealers to switch their customers from war bonds into any other securities as contrary to the best interests of the public and of the securities industry.

After the meeting dinner was served in the main dining room of Sherry's. Principal guest speaker was Lt. John Mason Brown, USNR, followed by Capt. Richard C. Noel, 2nd Lt. Theodore Dada, and Staff Sergeant Steve Seinfeld. Other distinguished guests were Col. D. Owings and Lt. Commander Walton Butterfield.

The United States Coast Guard Quartet, who were guests of the Association by special arrangement, furnished entertainment.

Tomorrow's Markets Walter Whyte Says—

Post Election rally indicated. Bearishness now almost unanimous. Don't follow crowd. Hold all positions.

By WALTER WHYTE

With the market acting the way it does, it is quite evident, to even the casual observers that the burden of proof rests on the optimists. With the volume absent on rallies, and increasing on declines it is normal for pessimistic interpretations to increase.

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Yet this very unanimity of opinion has within it the seeds of rally rather than of reaction.

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At this point it would be a good idea to say something about the life blood of the stock market — earnings. It might be interesting to dwell on earnings during the past quarter and the forecasts for earnings during the final quarter. I have found, however, that earnings, dividends and other financial details that are supposed to influence stock prices, actually mean little to general market trends.

* * *

The action of each stock tells in its own way more about its own future than all the earnings figures. And in the same way the action of all the stocks which go to make up the various averages forecast in their own way the outlook for the market as a whole.

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The reason for this is not too difficult to discover. Price action is a reflection of all the opinion available and this opinion is transferred to market price. The old cynicism, "Money speaks louder than words" is nowhere reflected as highly as in the stock market.

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A few weeks ago this action indicated lower prices. If you will recall market behavior in the early part of October you

(Continued on page 1940)

Chapel Heads Mich. Group of I. B. A.

DETROIT, MICH. — The annual meeting of the Michigan Group of the Investment Bankers Associa-

Harold R. Chapel

tion of America was held Wednesday evening, at the Detroit Athletic Club to elect officers for the coming year.

Immediately following the dinner, Chairman Reginald MacArthur, partner of Miller-Kenower & Company, opened the business meeting and after the various committee reports, the nomination of officers was made for the coming year.

Harold R. Chapel, partner of Crouse, Bennett, Smith & Company, who has been active in the IBA for a number of years, was elected chairman. He is secretary of the Security Traders Association of Detroit and Michigan and past president of The Bond Club of Detroit and of the Michigan Municipal Advisory Council. William Moore, partner of McDonald, Moore & Company was elected vice-chairman and Harry E. Thurston of Watling, Lerchen & Company, secretary and treasurer. Oscar L. Buhr, vice-president of the Detroit Trust Company; William C. Roney, partner of W. C. Roney & Company, and Cyrus H. King, partner of Merrill Lynch, Pierce, Fenner & Beane were elected Directors.

Julien H. Collins, National Chairman of the Education Committee was then introduced by Mr. MacArthur. The principal topic of his address was "What we have to offer the returning servicemen and how best to educate them on the opportunities offered by our business."

Charles Thornton With Hincks Bros. & Co.

NEW HAVEN, CONN.—Charles J. Thornton has become associated with Hincks Bros. & Co., Inc., 157 Chuch Street. Mr. Thornton was recently with the War Production Board. Prior thereto he was manager of the trading department for W. A. Hennessy & Co. of Boston and was a partner in Thornton & Curtis.

1944 Security Transactions And The Income Tax

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared a booklet on "1944 Security Transactions from Income Tax Viewpoint." Copies of this interesting and informative booklet are available to brokers and dealers upon request to Vilas & Hickey.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Railroad Securities

The railroad market, or at least that section below top credit, has displayed signs of extreme nervousness during the past week or more, and has had two important considerations on which to feed this nervousness. One, the perennial one for the last two years, has been the course of the war. When the advance in Europe was stalled at the borders of Germany hopes of victory over Germany this fall faded rapidly and the rail market developed a more buoyant tone. Then came the opening of major Russian offensives along the entire eastern front and some progress, although slow, by British and American forces on the western front. Hesitancy was again apparent, and this was augmented by enthusiasm engendered by Pacific successes.

Sentiment veering like the wind with the changing fortunes of war has become an old story, and will presumably continue as a strong market influence until the war has actually been won. Last week a new factor entered the picture. That new influence was the opening of Interstate Commerce Commission hearings on freight rate increases. The question revolves around the freight rate increases granted in March 1942 but suspended little more than a year later and suspended periodically since then. The most recent suspension expires Jan. 1, 1945, and unless some action is taken by the Commission in the interim the increased rates would automatically go into effect at that time.

As was to be expected, considering the history of the whole proceedings, various Government interests, including the OPA and the Director of Economic Stabilization, are asking the Commission to cancel the increase outright. It is their claim that the higher rates are inflationary and in violation of national stabilization policies. Their position hardly appears tenable, and as they presumably have no new arguments other than those used on other occasions when suspension of the increases was under consideration by the ICC, it is not believed likely that outright cancellation will be ordered.

On their side of the argument, seeking restoration of the increases which averaged less than 5%, the carriers have painted a pathetic picture of their plight. It has been pointed out that ever since the increases were first suspended, in May 1943, railroad income in each month has been below the level of a year earlier. Traffic is pictured as having reached its peak (a statement which hardly appears open to argument), and there have been dire predictions as to the probable extent of the traffic decline when the European war ends, and, presumably later, when the Japanese are finally defeated. It has been generally accepted that railroad traffic will drop sharply at the end of the war, although opinion has varied widely as to the extent and duration of the decline. The result on earnings that railroad management professes to see in the prospective decline is more drastic than that visualized by even the most pessimistic railroad analysts.

The President of one eastern road testified that a traffic decline of as little as 15% would put many railroads in the red. Certainly termination of the war is expected to bring a sharper traffic decline than 15%. In further testimony the President of a western railroad which recently emerged from reorganization stated that with present costs and rates the road would be unable even to cover its new, drastically reduced, fixed charges if traffic were to return to 1941 levels. By normal standards 1941 was a good railroad year.

Whether or not the testimony of the various representatives of railroad management is unduly pessimistic, there is little question but that at least in the reconversion period either lower costs or higher rates will be necessary to maintain railroad earnings and credit. However, as an immediate consideration the question of the freight rates is of little moment. They would, if restored, add little to earnings as they would largely be absorbed by taxes. Certainly it is too early at this time to try and adjust rates to theoretical post-war traffic. It seems likely, therefore, that the Commission will again compromise by refusing to either cancel or restore the increase. Rather, it is expected that they will again be suspended, leaving the way open for rapid reconsideration if conditions change.

Interstate Aircraft & Eng. Appears Attractive

Intersate Aircraft & Eng. Co. offers an interesting situation according to a circular being distributed by Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges. Copies of this circular may be had from the firm upon request.

Herrick, Waddell Offers Resistoflex Stock

An offering of 100,000 shares ($1 par) common stock of Resistoflex Corp. was made Nov. 1 by Herrick, Waddell & Co., Inc. The stock was priced at $4 a share. Proceeds from the sale will be added to working capital of the corporation. Capitalization of the corporation, giving effect to the present financing, will consist of 250,000 shares of common stock.

Resistoflex Corp., incorporated in 1936, is one of the companies that has risen from recent developments in the chemical field of synthetic plastics and resins. The principal material developed by the company and used in its manufactured products is a chemical composition called "COMPAR," a synthetic resin of high tensile strength. It is unaffected by almost all organic solvents.

Net sales in the fiscal year ended June 30, 1944, were $1,799,150, net profit before taxes, $154,704 and net profit after taxes $42,204.

S. E. Group of IBA Elects J. C. Riepe

The Southeastern Group of the Investment Bankers Association of America at its annual meeting elected J. Creighton Riepe, of Alex. Brown & Sons, Baltimore, Md., Chairman, succeeding Robert C. Kirchofer of Kirchofer & Arnold, Inc., Raleigh, N. C. Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C. and George G. Shriver, George G. Shriver & Co., Baltimore, Md., were named Vice-Chairmen. Shirley C. Morgan of Frank B. Cahn & Co., Baltimore, was chosen Secretary-Treasurer, the position previously held by Mr. Shriver.

J. Creighton Riepe

Elected to the Executive Committee were: Edwin B. Horner, Scott, Horner & Mason, Lynchburg, Va.; Charles H. Pinkerton, Baker, Watts & Co., Baltimore; S. S. Lawrence, Branch Banking & Trust Co., Wilson, N. C.; Edward C. Anderson, Scott & Stringfellow, Richmond, Va., ex-officio.

Mellon Group Offers Koppers Securities

Mellon Securities Corp. and associated underwriters, Oct. 30, offered four issues of securities consisting of $23,000,000 Koppers Co. first mortgage bonds, 3% series due Oct. 1, 1964, $11,400,000 Koppers Co. series notes, issue of 1944, 150,000 shares of Koppers Co. Inc. cumulative preferred stock, 4¾% series, and 200,000 shares of Koppers Co., Inc. common stock.

The bonds are priced at 102%, the preferred stock at $103 a share, and the common stock at $25.50 a share. The serial notes, offered at par, bear varied rates of interest according to maturity.

Proceeds of sale of the bonds and serial notes, together with funds held by trustees for Koppers Co.'s first mortgage and collateral trust bonds, will be used to redeem outstanding obligations of Koppers Co. as follows: $20,819,000 principal amount of the first mortgage and collateral trust bonds, 3½% series, due Mar. 1, 1961, at 105½%; $3,500,000 principal amount of first mortgage and collateral trust bonds, 3⅛% series, due March 1, 1961, at 103%; $3,625,000 principal amount of the 2% serial notes, due semi-annually, Sept. 1, 1941, to Sept. 1, 1947, at 100½%; $2,000,000 principal amount of the 2% serial notes, due semi-annually, March 15, 1946, to Sept. 15, 1950, at 101½%; $3,000,000 principal amount outstanding of a 4% bond due May 21, 1961, secured by a first mortgage on the Koppers Building in Pittsburgh, at 101%.

A total of $2,550,000 will be applied primarily to reimbursement of Koppers Co. for cost of additions to its coke plant at Kearny, N. J., and remainder will be added to the treasury for general corporate purposes.

Provision is made for the retirement of the 3% series bonds through operation of a sinking fund, by which slightly more than 50% of the bonds will be retired by maturity. The bonds are redeemable on 30 days' notice.

Real Estate Securities

By JOHN WEST

A great many reorganizations in real estate securities taking place are reducing the mortgage securing the bond in accordance with a true appraisal of the present value of the property. To compensate the bondholder for the reduction in principal of his bonds, the reorganization generally gives the bondholder stock representing a share in the ownership of the property. This results in a radical change in the percentage at which these securities now trade. A few examples follow:

BOND—	Old Par	Old Price	New Par	New Price
61 Broadway	$1,000	38%	$500	76%
Hearst Brisbane	850	56	600	80
Textile Building	1,000	42	600	70
888 Park Avenue	1,000	23	260	100
Westover	1,000	52	450	85
44th Street Hotel	1,000	50	500	102
Tyler Building	1,000	36	500	87
Prince and Lafayette	1,000	17	500	95
5th Avenue and 28th Street	1,000	22	500	45

There has been a lot of discussion among the dealers as to this method of reorganization and as to whether or not the marketability of these securities is going to be affected. Naturally, a cut in principal reduces the floating supply of the securities, as in most cases the issues are cut 50%. In addition, the higher percentage values in all probability will discourage some of the smaller dealers from maintaining a trading position, as their investment in such a trading position will naturally be considerably higher.

These factors may result in an inactive market in many of these securities, resulting in a greater fluctuation of price range.

Many dealers feel that it might have been better to keep the old bonds intact, inasmuch as the bondholders generally, in these reorganizations, own the property anyway; and that the larger funded debt would result in a tax saving to the corporation owning the property, inasmuch as interest on the funded debt is payable before excess profits.

The writer is inclined to disagree with all of these arguments and feels that this type of reorganization is fitting and proper and will eventually help the real estate bond market rather than hurt it.

Real estate bonds were originally sold as an investment medium and because of these drastic cuts are now becoming prime investment material again. The more modest the mortgage secured by a property, the greater value to the bonds which are a part of the mortgage, and for this reason we are willing to classify the reduced securities as investment material. Heretofore, in the majority of cases, the writer has always referred to real estate bonds as a speculation. As these issues are further reduced by sinking fund operations, we can see no reason why the bonds should not eventually go to par and the stock given along with the bonds also have a market valuation of its own. For instance, you will note that the 44th Street Hotel on this list, quoted at 102 bid, carries 20 shares of stock which separately has a bid of $5 a share; and in the Prince and Lafayette, quoted at 95 bid with the stock, if a bondholder were willing to sell the stock alone he could get $5 per share also.

People seeking bonds for investment seem to be more prone, for some reason or other, to buy bonds selling at or near par, feeling that the price indicates the investment nature of such a security.

We know of many cases where bonds under these prices seem to have all the category of an investment nature, but because the bond was selling below par, investors who had been accustomed to paying these prices sort of shied away from the bond because of the less than par market valuation. No doubt, when these real estate bonds do begin to sell around par level they will attract this type of investor.

Stock Exchange Firms Get Nominees for Govs.

The nominating committee for 1944 of the Association of Stock Exchange Firms issued the following report on nominations for the Board of Governors and the new nominating committee to be acted upon at annual meeting on Nov. 20:

For the Board of Governors To Serve for Three Years

Sidney J. Adams, Paul Brown & Co., St. Louis; George E. Barnes Wayne Hummer & Co., Chicago; D. J. Bogardus, Bogardus, Frost & Banning, Los Angeles; Springer H. Brooks, Piper, Jaffray & Hopwood, St. Paul; William E. Huger, Courts & Co., Atlanta; Sydney P. Bradshaw, Clark, Dodge & Co., New York; Gilbert U. Burdett, Laidlaw & Co., New York; John L. Clark, Abbott, Proctor & Paine, New York; Laurence M. Marks, Laurence M. Marks & Co., New York, and Homer A. Vilas, Cyrus J. Lawrence & Sons, New York.

To serve for Two Years to Fill Unexpired Term

J. C. Bradford, J. C. Bradford & Co., Nashville.

To serve for One Year to Fill Unexpired Term

Laurence P. Smith, Crouse, Bennett, Smith & Co., Detroit.

Nominees for the 1945 Nominating Committee

C. Prevost Boyce, Stein Bros. & Boyce, Baltimore; Paul H. Davis, Paul H. Davis & Co., Chicago; Wright Duryea, Glore, Forgan & Co., New York; James J. Minot, Paine, Webber, Jackson & Curtis, Boston, and Alfred E. Thurber, Shearson, Hammill & Co., New York.

The members of the nominating committee presenting the above report are F. Dewey Everett, Chairman; Sydney P. Clark, Russell E. Gardner, Harold W. McEvoy and Reuben Thorson.

The Securities Salesman's Corner

By JOHN DUTTON

What Goes Here?

The SEC doesn't seem to know that every dealer in the United States gives out investment advice. The SEC has a new one — after 12 years it has discovered that a dealer who gives investment advice to his customers is AN INVESTMENT COUNSEL. If such be the case, then every security dealer in America had better register immediately as an investment counsel — here is the latest SEC wrinkle on the subject:

Certain dealers have been selling securities to their customers as principals on a net basis. Sometimes these securities have been listed on a national securities exchange and sometimes not. The dealers in question have made their appeal to their clients upon the basis that through research, analysis and superior judgment they have been able to do a better investment job for their customers than the customers have otherwise been able to accomplish.

Recently the SEC came to them and asked them to explain their methods of operation. Although no criticism of the operation of the dealers in question was raised by the SEC they finally got around to asking the question, "Do you give investment advice?" The answer was, "Yes, we do, but solely incidental to our business as dealers and brokers." The SEC representative then took the attitude that these dealers WERE INVESTMENT COUNSELS AND SHOULD REGISTER UNDER THAT ACT.

In another case the SEC some time ago went to one of the oldest and most reputable firms that specializes in a certain class of securities. For years this firm has been publishing a very valuable statistical record which it has made available to the industry and the public for a nominal fee. The little bureaucrats at the SEC didn't think it right to sell this information unless this firm registered as an investment counsel. The sale of the book stopped — a valuable public service was discontinued — the firm did not register as an investment counsel. If this is an interpretation of what constitutes an investment counsel its drawing the line just a bit too fine for common sense to see or understand.

It is no longer a question of what a security dealer is required to do under the administration of the Securities Acts — but how good you are AT GUESSING. At no time in all the confused, dilatory, vacillating and socialistically inclined administrations of the SEC of the past has there been the confusion and lack of policy that exists in the SEC of today. The present personnel of the Commission either doesn't know from one day to the next what its own ideas on any subject happens to be — or else it is deliberately trying to confuse and destroy the very business it is supposed to foster and to supervise as Congress directed.

Today the securities dealers of this country are operating in a vacuum. Months ago a few courageous dealers formed the Securities Dealers Committee which was supported by about 80 other dealers throughout the country. This committee forced the SEC to grant a hearing on the 5% rule. Months have gone by — delay is not the word for it. One or two good days of consultation and study of the briefs submitted to the Commission, and the decision which has been requested could have been forthcoming. But IT IS NOT IMPORTANT TO THE SEC WHETHER OR NOT THE SECURITIES DEALERS OF THIS COUNTRY KNOW WHERE THEY STAND REGARDING A MATTER THAT STRIKES AT THE VERY HEART OF THEIR BUSINESS. IT APPARENTLY IS MORE IMPORTANT THAT THE SEC CARRY ON A THOUSAND AND ONE EXTRANEOUS JOBS AND TIME CONSUMING STATISTICAL STUDIES AND WHAT NOT.

The present personnel of the SEC by its actions has indicted itself with every charge that its so-called enemies have ever hurled against it. It is such actions as these that cry aloud for a change — a change of personnel from the top to the bottom of this government bureau that knows nothing of consistency and cares less for the welfare of the industry over which it holds, by act of Congress, the most despotic power ever given to any bureaucratic commission in the whole history of this country.

D. B. Peck New Member Of Chicago Stock Exch.

CHICAGO, ILL. — David B. Peck of Chicago, President of D. B. Peck & Co., was elected to membership in the Chicago Stock Exchange by the Executive Committee, it is announced. With the election of Mr. Peck to membership, D. B. Peck & Co. becomes the sixteenth registered member corporation of the Exchange.

Character and the New Deal

(Continued from page 1915)

vidual—any—can improve his lot by his own individual action. Time honored tenets of the Catholic Church have proven their value by the building of character in the individual. The great lesson of the Masonic order throughout the world is that the temple of God must be erected in the individual.

The great blight of the New Deal is its negation of the individual. Instead of teaching the individual self-reliance, and self-improvement through his own actions, the New Deal preaches reliance by each individual upon the beneficence of the group. The essence of the New Deal is that the salvation of the individual rests, not in himself, but in the Government.

The New Deal is not a philosophy of government, but a philosophy of life. It wins the support of some people through a contortion of the Christian tenet that "I am my brother's keeper." But, instead of teaching me to keep my brother in such a manner as to preserve his character and restore him as quickly as possible to a position wherein he can keep himself and meet his own obligations to society, the New Deal teaches that I am to keep him permanently in degradation and despair, and without hope of restoring him to his former independence.

"Man lives in hope and dies in despair." Man lives in hope of winning independence of his brother's "keep." Man lives in hope of winning his brother's esteem, rather than his brother's munificence. Man lives in hope of making his mark in the world. Man lives in hope of rising above his brothers in a competitive world. And the world moves forward with men who so live in hope and who achieve their dreams by performing services of value to their fellow-men.

The New Deal moves, like a blight, across a world of despair, not of hope. Instead of teaching the individual to achieve his own salvation, the New Deal teaches him to despair of hoping, even that he will do so. The New Deal is essentially a materialistic philosophy, concerning itself principally with financial and economic matters. But in gaining a hold on a man even in his thinking about materialistic matters, it destroys attributes of character that are far more important to the individual than is his pocketbook.

The New Deal does not in the least concern itself with helping the truck driver become a truck owner. Rather does it overlook entirely any thought that the driver will ever be other than a driver. Its program consists of organizing all truck drivers into a powerful union and then, by constant and repeated efforts, secure as high wages and as short working hours as the strength of the union will permit. In this program there is no thought of the character of the individual members of the union, no thought of the development of the mind, education, ability, efficiency, happiness, morality, or social position of the individual. There is only the materialistic aim of fatter pay envelopes and shorter working hours. In this program there is a prominent place for all manner of vilification of the employer. This vilification of the "boss" may be only incidental to the one aim of securing higher wages. Yet, the program of defaming the man who employs has been pursued with such perfidious energy, and such generality, from the head of the New Deal, Franklin D. Roosevelt, on down to the countless thousands of union agents, that it is inevitable for even the innocent union member to feel that the capitalist, the employer, the boss, the man who owns more than the average union member, is one to be despised, to be held up in disrepute, to be considered utterly selfish, to be an enemy of society —to be, in short, and in the words of the head of the New Deal, an "economic royalist," a "prince of privilege," a "money changer." Such epithets, when hurled with such insidious vehemence as has been taught and practiced by the New Deal, cannot help but encourage hatred and degrade character.

The materialism of the New Deal is further shown by its preaching of "security from the cradle to the grave." Instead of teaching the salvation of the individual through his own efforts it preaches "economic security"— as though the dollar were almighty, as it does appear to be to the New Deal materialists. There is no effort to teach a man to rely upon his own ability, no effort to teach a man to want to rely upon himself. There is only the constant providing for him by a supposed omniscient Government, with supposed unlimited power and resources, only a constant pumping into the individual of the philosophy that the man who wants to rely upon himself is a relic of the "horse and buggy days," and that the modern philosophy is for the individual to learn that his reliance should be placed not upon himself, but upon the group.

Of course, the New Deal does not admit that the group is merely an aggregation of the individuals, and is only as strong, as reliable, as farsighted as are the individuals who make up the group. Without strong individuals, the group or the Government cannot be strong. The New Deal will eventually destroy the strong individuals and will ultimately only equalize all on the lower level of the weak reliant individuals it is making.

The principle of Nazism and Socialism is that the individual exists only for the benefit of the State, and the Government must direct his every action. The principle of New Dealism is that the individual exists, the Government will see that he continues to exist, and the Government must therefore, direct his every action. To the man who wants to live according to his own ability, there is little difference between these philosophies. All three destroy individual initiative, reliance and character.

The New Deal is now engaged in a program of spreading "Freedom from Want and Fear to everybody, everywhere in the world"—a world-wide program of "economic security" (at the expense of the American taxpayer, be it ever remembered). "Freedom from Want," of material things only, by spending what to the New Deal is by now clearly the Almighty Dollar. "Freedom from Fear," of what we know not, by spending still more of the Almighty Dollar. Whether the program be for America only, or for the whole wide world, it is based solely upon spending the Almighty Dollar, without a thought to improving the initiative, the self-reliance or the character of the individual.

Thus does the whole program of the New Deal destroy character, by destroying the very thing a man holds dearest, self-respect. Without respect for himself, a man is but a derelict, a tool for the man who bought his soul. Without self-respect a man cannot live. "What does it profit a man, to gain the whole world and lose his soul."

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

AUGUSTA, MAINE—**Ralph G. Webber** has joined the staff of **Whiting, Weeks & Stubbs,** 36 Federal Street, Boston, Mass. Mr. Webber was formerly with the Depositors Trust Co. of Augusta.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Robert W. Ganser,** previously with Goodbody & Co., has become affiliated with **H. Hentz & Co.,** 120 South La Salle Street.

(Special to The Financial Chronicle)

COLUMBUS, OHIO—**Morgan C. Penn** is now with **Hayden, Miller & Co.,** Union Commerce Building, Cleveland, Ohio. Mr. Penn was recently with Vercoe & Co. Prior thereto he was with the Fifth Third Union Trust Co. of Cincinnati.

(Special to The Financial Chronicle)

DENVER, COLO. — **Wilson D. Flugstad** has become associated with **Bosworth, Chanute, Loughridge & Co.,** 660 Seventeenth St. Mr. Flugstad was formerly associated with Halsey, Stuart & Co. and Coughlin & Co.

(Special to The Financial Chronicle)

ELYRIA, OHIO — **Hobart E. Marsh** has been added to the staff of **P. R. Smith & Co.,** Elyria Savings and Trust Building.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**E. Linton Joaquin** is representing **Amleto Gudenzi,** 76 William Street, New York City.

(Special to The Financial Chronicle)

SPRINGFIELD, MASS. — **Inez R. Kerker** is with **R. H. Johnson & Co.,** Third National Bank Building.

(Special to The Financial Chronicle)

YOUNGSTOWN, OHIO — **Mary E. Apuli** has joined the staff of **The S. T. Jackson & Co.,** Union National Bank Building.

Walter C. Engman Now With White & Company

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Walter C. Engman and Joseph A. McGrath have become associated with White & Company, Mississippi Valley Trust Building. Mr. Engman was formerly local manager for Barrett Herrick & Co., Inc., and prior thereto was with Scherck, Richter Co. and Murdoch, Dearth & White, Inc. Mr. McGrath in the past was with Ryan-Nichols & Co. and Taussig, Day & Co.

Highways & Roads

Dempsey & Company, 135 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, have prepared an interesting tabulation of the mileage and usage of world highways and exports of road machinery for 1940. These figures are of particular interest as affecting La Plant-Choate Manufacturing Company, Inc., manufacturers of bulldozers, trailbuilders, s c r a p e r s, land clearing equipment, etc., since after the war the nations of the world will undoubtedly be engaged on a vast roadbuilding program, the circular states. Copies of this interesting release may be had from Dempsey & Company upon request.

May Resumes Business

SEATTLE, WASH.—Herbert R. May & Company is again active in the investment business from offices at Fourth & Pike Building. Principal of the firm is Herbert R. May, who formerly did business in Seattle under the same firm name.

Pennsylvania Brevities

Dealers' Choices

Outstanding in a general market that appears to be in pre-election stalemate is the steady absorption of equities with favorable peace-time prospects. Campaign speeches by both Presidential nominees, giving due weight to the extravagance of Utopian promises, have nevertheless succeeded in impressing the public with the fact that large scale shortages in consumer goods prevail; that restrictions relating to the production of these goods will be lifted as soon as military considerations permit; that burdensome taxes will be ameliorated; that high wage levels will be continued, and that our American standard of living will continue to set the pace for the rest of the world.

In local favor are building and construction material enterprises, chemicals and plastics, electronics and communications, household appliances, and, for those looking further into the future, railway equipment, commercial airlines and the motors.

Pennsylvania Salt

Last week stockholders of this 95-year-old company voted to increase its authorized capital stock from 150,000 shares, par $50, to 1,000,000 shares, par $10, with an additional authorization of 250,000 shares of treasury stock. A secondary offering of 8,500 shares was made by Graham, Parsons & Co. and Blyth & Co. on Oct. 25 and 26 at $38 per share.

The increased number of shares and more popular price level are expected to improve marketability and widen general interest.

The new stock will be traded on the Philadelphia Stock Exchange. Company manufactures a diversified group of industrial chemicals including Kryolith, sulphuric, nitric, muriatic and acetic acids, sodas, bleaching powders, salt, ammonia and alumns. Specialties include lye, disinfectants, cleaners and detergents. Four plants are located in Pennsylvania and one each in Washington, Michigan and Oregon. Dividend policy has been and is expected to remain liberal. Disbursements have been paid without interruption since 1864.

American Window Glass

The company manufactures several classes and grades of window glass, including a non-shatter glass. Also produces sheet glass, photographic dry plate glass, lantern slide and picture glass. Operations and earning power have been adversely affected by the war since principal outlets are to residential building and the automobile industry. The company has maintained a strong financial position, however, and post-war outlook is favorable toward a resumption of its main trade channels. Capitalization consists of 175,000 shares of 5% cumulative preferred, par $25, at present $2.81 in arrears, and 220,339 shares common stock, par $12.50.

The latter, at about $5 per share, appears to have substantial long-term appeal.

H. H. Robertson Company

This Western Pennsylvania company with a simple capitalization consisting of 237,930 shares of capital stock has established its ability to produce earnings in both war and peace times. Dividends of $1.50 per share were paid in 1943, 1942 and 1941, compared with disbursements of $1.25 in 1940 and $1 in 1939. The company manufactures a number of highly specialized roofing, sidewall and flooring materials most of which are protected by patents. Outstanding are its processes for fabricating weather, rust and corrosion-proof surfaces by the permanent application of protective coatings of asphalt and asbestos. Another popular product is the "Q Floor" which is channeled to permit electrical connections anywhere within a six-inch radius.

Company's products find a wide acceptance in the construction of large industrial plants, factories and public buildings. Plant facilities are maintained in Sarnia, Canada, and Ellesmere Port, England.

Warner Company

Edward Hopkinson, Jr., Chairman of the City Planning Commission, has recently released tentative plans for post-war construction in the Philadelphia metropolitan area which will run into the hundreds of millions of dollars. This will be the city's contribution toward providing jobs for those released from war work and from the armed forces. Many of the projects are of the heavy construction classification and include subway extensions, double-decked highways, airports, bus terminals, slum clearance and housing developments, sewage disposal, etc. Added to the "building deficiency" which has been accumulating during the war years, it would appear that there are busy and prosperous days ahead for companies qualified to undertake this work or to supply materials necessary thereto.

Warner Company, a producer and distributor of sand, gravel, central-mix concrete and limestone products, may be expected to share substantially in this business. During the last decade the company, while maintaining a satisfactory current position, has applied available earnings toward debt reduction. As of Oct. 1, its first mortgage 6s were refunded with a longer term 4% loan, privately placed. It is expected that current arrearages on Warner Co. first and second preferred will be eliminated through a forthcoming plan of reclassification, the terms of which are now under consideration.

The present thought is to offer first preferred holders a new senior security for the par value of the old preferred and an appropriate amount of new common for the arrearage claim.

The entire issue of second preferred, now owned by Wawaset Securities Co., and all of Warner

(Continued on page 1923)

Pennsylvania Municipals

By EDWARD W. KLING

Several weeks ago two large issues of bonds of the Philadelphia Electric Company were offered to the investing public and were immediately oversubscribed. This was anticipated as the Philadelphia Electric Company is one of the prime utility credits of the country. More specifically in this case, the new bonds were issued to refund a similar amount of higher coupon bonds and, as no doubt a great many of the holders of the old bonds reinvested in the new bonds, not any great amount of fresh capital was involved.

The revenues of the Philadelphia Electric Co. are derived from payments for utility services rendered to the residents, industries, stores, etc., of the City of Philadelphia, and certain adjacent communities. Likewise, the revenues of the City of Philadelphia are in the main derived from payment of taxes from almost the same sources.

It stands to reason, therefore, that if a resident of Philadelphia were not able to pay his real estate tax or his liquor license tax or any other tax he would not long be able to pay his gas, electricity or heating bills.

Also, if there should occur in the future a reduction in population so drastic as to lower the city's income to a point where its payments of interest and principal would be impaired or endangered, this same reduction would also seriously affect the credit position of the utility.

In other words, by and large the credit of the two, the city and the city wide utility, are based on the ability of much the same people to pay their taxes and bills and the continuance in residence and business of enough people to pay.

On the day the Philadelphia Electric bonds were offered there were also a substantial supply of City of Philadelphia bonds in the market. Maturities of the latter most nearly matching those of the former were as follows:

	Return
Philadelphia Electric Co.—2¾s, 11-1-1967	2.72%
Philadelphia Electric Co.—2¾s, 11-1-1974	2.75
City of Philadelphia, 3¼s, 1-1-1965	2.21
City of Philadelphia, 3¼s, 1-1-1975	2.31

(Continued on page 1923)

Says "Unconditional Surrender" Policy Is Prolonging War

Harry Fleischman, Socialist Party Secretary, Quotes from Front-Line Dispatches that Harsh Peace Terms are Causing German Soldiers to Fight to Bitter End.

The slogan of "unconditional surrender" and the advocacy of a hard peace are prolonging the war at the expense of American lives, declared Harry Fleischman, national secretary of the Socialist Party. In a statement issued on October 27, Mr. Fleischman quoted front-line dispatches that our demands for harsh peace terms are causing "German soldiers who were in a mood to surrender to change their minds and fight to the bitter end."


Harry Fleischman

"A great number of the German people has always opposed Hitler," said Mr. Fleischman, "and they are our natural allies willing to join the fight against Nazism if given any hope of a just peace."

"It is one of the quirks of human nature," said Mr. Fleischman, "to prefer home grown tyrants to foreign ones. The demand by Russia for German slave labor; Morgenthau's plan for creating a nation of serfs; the proposals to divide Germany up among the victorious powers—these do not offer the German people any reason for laying down their arms.

"A large segment of the German people has always opposed Nazism. Even though millions of active anti-Nazis have been executed by Hitler or are in concentration camps, German opposition to Hitler has still not been wiped out. The tremendous activity of the Gestapo and its firing squads proves this. These people, many of whom were members of the pre-Hitler free trade unions, are our natural allies, and if given any hope, will join the battle to stamp out Nazism and imperialism.

"The alternative to the slogan, 'unconditional surrender,' lies not in the appeasement of Nazism and other imperialisms but in the immediate offer of a political peace offensive offering an armistice to the *people* of the Axis nations on the following conditions:

1. The German and Japanese people must overthrow their fascist governments and rapidly disarm.

2. All peoples shall order their own lines without subjection to any nation.

3. The United Nations must: (a) free the conquered nations, guaranteeing their independence; (b) reconstruct devastated countries; (c) reject demands for Axis slave labor; (d) guarantee self-rule to Japanese-held lands and colonies under white rule.

"These points together comprise a peace offensive capable of inspiring revolt against the Axis dictators, winning the confidence of their victims and saving thousands of American lives."

Pennsylvania Municipals

(Continued from page 1922)

The yields on all of the above bonds are figured to their final maturity dates. All have call features. Those of the Philadelphia Electric Co. bonds are more elastic, starting within one year at a substantial premium and continuing in smaller amounts to maturity. Those of the City of Philadelphia, in the case of the bonds due in 1965, are callable at par on Jan. 1, 1957, or any interest date thereafter, and those due in 1975, at par on Jan. 1, 1965, or any interest date thereafter.

All also have sinking funds. On the utility bonds, they are based on percentages of gross revenues and may either benefit the bondholder through reduction of bonds outstanding by purchase or call, or improvements to property and the ensuing enhancement in equity.

On the city bonds, they are definitely included as a part of the ordinance authorizing the bonds and are accumulated from taxes levied in sufficient amount to retire each entire issue at maturity.

All of the bonds are free of the Pennsylvania personal property tax. The Philadelphia Electric bonds are subject to all Federal taxation, including income and corporation, while those of the City of Philadelphia are entirely free of both. The only taxation to which the City of Philadelphia bonds are subject is the income, personal property, or other tax of another State or Commonwealth by a resident holder thereof.

The purpose of this discussion, it should be said, is not to suggest or imply that any of the bonds mentioned are cheap or dear at the expense of any of the others. The sole object is to compare two corporations, one private and one public, both dependent on practically the same basic sources of revenues, and to show that if both are believed to be sound credits, certain classes of investors can benefit by investing in one or the other.

To be more tangible, compare the returns on the Philadelphia Electric 2¾s, due Nov. 1, 1967, which is 2.72% and the City of Philadelphia 3¼s, due Jan. 1, 1965, which is 2.21%. The difference in yield is .51% and the return to the investor is 23% greater on the utility bond. This difference is approximately the same as the minimum corporation tax and not greatly removed from the maximum. The degrees of marketability and diversification necessary would be problems for the investor alone to decide.

Under the present Federal income tax law, in order for an individual investor having a surtax net income of $2,000, to obtain a net income from a taxable bond equivalent to a 2.21% tax free return, he must get 2.90% for his money; and for those with a surtax net income of $20,000, he must get 5.52%; and for those with a surtax net income of $50,000 he must get 9.18%, and as the income gets larger, the spread also increases. Thus, it will be seen the larger the income, the greater the saving on tax-free bonds, and yet those with comparatively moderate incomes would do well to pause and think over the advantages of tax-free income from City of Philadelphia or other municipal bonds, as they also are definitely subject to relatively high taxes and very probably will continue to be for some time.

St. Louis Security Traders Elect Officers

ST. LOUIS, MO.—The Security Traders Club of St. Louis have unanimously elected the following

Joseph G. Petersen E. K. Hagemann

officers to serve for the year November 1, 1944 to November 1, 1945:

President—Joseph G. Petersen, Eckhardt, Petersen & Co.

First Vice-President—Walter C. Haeussler, Paul Brown & Co.

Second Vice-President — Mel Taylor, Semple, Jacobs & Co.

Third Vice-President—E. Kenneth Hagemann, G. H. Walker & Co.

Secretary — Herman J. Zinzer, Dempsey, Tegeler & Co.

Treasurer — Robert M. Guion, Newhard, Cook & Co.

National Committeeman—George M. White, White & Co.

The Association's election dinner will be held at the Coronado Hotel on November 9th.

Recap Plan Possibilities

H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared a summary of the recapitalization plan filed by he American & Foreign Power Co. Inc. in conjunction with Electric Bond & Share Co. and the effect of this plan upon the securities. Copies of this interesting summary may be had from H. Hentz & Co. upon request.

Pennsylvania Brevities

(Continued from page 1922)

Company present common would be exchanged for new common shares, thus "cleaning house" and placing the new common in a position to participate in earnings. Wawaset Securities would receive new securities under the plan, according to its portfolio holdings, redistribute same to its own stockholders, and dissolve or merge with the parent company. It has been pointed out to the management that present conditions are propitious for an early consummation of such a plan.

At currently indicated market prices, holders not wishing to retain the new securities contemplated, could sell in the open market and realize the approximate cash value of their claims, a condition not heretofore available.

American Box Board Co.

Pennsylvania dealers have taken an active and growing interest in the common stock of this well-situated Michigan company, thereby contributing a wallop to the old listed versus unlisted controversy. Trading spasmodically on the New York Curb Exchange around 7, the stock was delisted last December and immediately gained over-the-counter support and recognition. The company is an important manufacturer of paper board, corrugated board, boxes and shipping containers used primarily in packaging food products. Its products are largely "consumers' goods," i. e., thrown away after use, which indicates that business should hold up well after the war. There is little or no reconversion problem and renegotiation has been minor.

In 1943, company earned $2.26 per share before contingency reserve but after $7.02 per share in Federal taxes and 30 cents for possible renegotiation.

A downward post-war revision of tax schedules could conceivably bring about sharply increased per-share earnings. On Oct. 27, the management declared the usual 25-cent dividend and an extra 10% stock dividend. Current price, about 14.

Crescent Public Service Co.

Hearings will be held Nov. 6 at the SEC on the proposed dissolution plan of this Philadelphia-managed utility holding company. The company's plan is somewhat unique in that it offers holders of Crescent Public Service Co. 6s, 1954, the option of receiving par and accrued interest in satisfaction of their claim or of receiving a pro rata distribution of operating company stocks held in the portfolio. According to the management's estimates, considered conservative, the value of the distributable stocks would exceed the face value of the bonds by approximately 8%.

Indicated income from the stocks, per $1,000 bond, is $72 annually compared with the $60 formerly received as interest.

The plan proposes that portfolio stocks not accepted in exchange would be offered, pro rata, to present stockholders and all shares not thus absorbed would be underwritten publicly. It is scarcely conceivable that the plan will meet with any serious objection.

Miscellany

On Oct. 21, dissenters to the Standard Gas & Electric Co.'s amended plan of reorganization were granted an oral hearing before the SEC. The conduct of the hearing was a whimsical and not-too-funny commentary on the prosecutor-judge-and-jury role so often adopted by this top-ranking regulatory panel.

It may be recalled that disposition of approximately $60,000,000 funded debt and $87,000,000 preferred stock was involved and that the individuals who had asked, and been granted, permission to be heard, appeared in good faith and with the expectancy that their argument would receive consideration commensurate with its importance.

Two Commissioners appeared 15 minutes later than the appointed time. Three Commissioners were absent. Two individuals, who requested an hour each to present their well-prepared convictions, were summarily allotted a half hour, and one was clipped off in the middle of a sentence when his time expired. A third individual, who had come from Canada, sensing that he might not have the opportunity of presenting his views in the forenoon, requested a post-luncheon period. He was told that if he couldn't be heard before 12:30, he would never be heard! A spectator's impression was that three-fifths of the Commission had found more engaging duties elsewhere and that the remaining two-fifths were just plain bored.

Edward G. Budd Manufacturing Co. reports net income of $1,835,580 for the first 9 months of 1944, after all charges and excess profits payments. In the similar period of 1943, the total was $1,430,196.

Operating revenue of Philadelphia Transportation Co. for 12 months ended Sept. 30 was $55,199,699, of which $54,418,660 came from passenger fares and $781,039 from other operating sources. Net income was $1,404,982.

Sydney P. Clark, E. W. Clark & Co., has been elected chairman of Eastern Pennsylvania Group, Investment Bankers Association, to succeed Edward Hopkinson, Jr., Drexel & Co., who declined renomination after serving in the post over ten years.

In a speech before the Philadelphia Conference on Social Work last week, Beardsly Ruml, author of the pay-as-you-go tax plan, advocated the abolition of the corporate income tax and of most excise taxes as well as a 30% reduction in individual income taxes.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

New York City bank stocks have given a better market performance thus far in 1944 than have leading industrial stocks. From Dec. 31, 1943 to the 1944 high of July 10, bank stocks, as measured by the American Banker Index, moved from 38.0 to 42.6, an appreciation of 12.1%; over this same period the Dow Jones Industrial Average moved from 135.89 to 150.50, an appreciation of 10.8%. Since the July highs bank stocks have declined only one-fifth of 1% to 42.5 on Oct. 26, while the Dow Jones Industrial Average has dropped to 145.83, a decline of 3.1%. On Oct. 26, 1944, bank stocks were 11.8% higher than their 1943 year-end prices, compared with 7.3% for industrials. Their market gain has thus been 61.7% better up to Oct. 26.

TABLE I

	Asked Price 12-31-43	Asked Price 7-10-44	Appreciation %
Bank of Manhattan	21¼	25	17.6
Bank of New York	400	413	3.3
Bankers Trust	51	55¾	9.3
Brooklyn Trust	90	105½	17.2
Central Hanover	99¼	110¾	11.6
Chase National	37⅝	41¼	9.6
Chemical Bank & Trust	50	54	8.0
Commercial National Bank	47	49⅜	5.1
Continental Bank & Trust	18⅞	24⅛	27.8
Corn Exchange	47⅝	51⅞	8.9
Empire Trust	73½	82	11.6
First National Bank of N. Y.	1,495	1,770	18.4
Guaranty Trust Company	310	347	11.9
Irving Trust Company	14½	17¼	19.0
*Kings County Trust Company	1,435	1,550	8.0
Manufacturers Trust	47¾	54	13.1
National City Bank	36½	40	9.6
New York Trust	95¼	102¼	7.3
Public National Bank & Trust Co.	37⅝	45⅝	21.3
United States Trust	1,310	1,495	14.1
Average			12.6%

*Bid price.

Individual bank stocks, characteristically, have shown great irregularity in relative performance, as is brought out in the accompanying tabulations. For example, in Table 1, which shows the period from Dec. 31, 1943, to the highs of July 10, 1944, it will be observed that Continental Bank & Trust appreciated the maximum with a gain of 27.8%, compared with an average gain of 12.6%, an index gain of 12.1%, and a minimum gain of 3.3% for Bank of New York. Public National runs a fairly close second to Continental with a gain of 21.3%, followed by Irving Trust with 19.0%.

TABLE II

	Asked Price 12-31-43	Asked Price 10-26-44	Appreciation %
Bank of Manhattan	21¼	25⅝	20.6
Bank of New York	400	452	13.0
Bankers Trust	51	58¼	14.2
Brooklyn Trust	90	113½	26.1
Central Hanover	99¼	108	8.8
Chase National	37⅝	42	11.6
Chemical Bank & Trust	50	52	4.0
Commercial National Bank	47	50¾	8.0
Continental Bank & Trust	18⅞	22⅜	18.5
Corn Exchange	47⅝	54⅛	13.6
Empire Trust	73½	82½	12.2
First National Bank of N. Y.	1,495	1,725	15.4
Guaranty Trust Company	310	333	7.4
Irving Trust Company	14½	15¾	8.6
*Kings County Trust Company	1,435	1,605	11.8
Manufacturers Trust	47¾	53½	12.0
National City Bank	36½	39¾	8.9
New York Trust	95¼	105	10.2
Public National Bank & Trust Co.	37⅝	46⅝	23.9
United States Trust	1,310	1,450	11.5
Average			13.0%

*Bid price.

In Table II, which covers the year to Oct. 26, Brooklyn Trust is in first place with an appreciation of 26.1%; this compares with an average gain of 13.0%, an index gain of 11.8% and the minimum gain of 4% shown by Chemical. Public National again is in second place with a gain of 23.9%, while Bank of Manhattan is in third place with 20.6%.

It is also of interest to observe that, although the American Banker Index on Oct. 26 was 42.5, compared with 42.6 on July 10, nevertheless 11 of the 20 bank stocks tabulated above were appreciably higher in October than in July, while nine were lower. Bank of New York shows the maximum gain, having moved from 413 on July 10 to 452 on Oct. 26, an appreciation of 9.4%; Brooklyn Trust gained 7.6% and Bankers Trust 4.5%. On the other hand, Irving Trust declined 8.7%, Continental Bank & Trust 7.3%, and Guaranty Trust 5%.

Despite these divergencies among the individual stocks, New York City bank stocks, as a group, have been steadier in recent months than have industrials, and for nearly two and a half years have shown a persistent upward trend. Thus the market is recognizing, not only the year by year increase of bank assets and bank earnings since 1938, but also the favorable post-war prospects. The recent market action of bank stocks since July, opposite in direction to that of industrial stocks, is attributable, no doubt, not only to the favorable long-term outlook, but also to the very excellent third quarter earnings revealed in bank statements of Sept. 30, and as reported in this column on Oct. 19.

Insurance Stocks as an Investment

Roger W. Babson Discusses Inflation

BABSON PARK, MASS.—Those who follow the market closely know that the insurance stocks are about the only group that has not gone up in price during the past six months. The industrials are strong, based upon post-war prospects; the railroads are strong, based upon huge temporary earnings; the public utilities are strong, based upon the hopes that Dewey will be elected; while other groups are more or less following the leaders with the exception of the insurance stocks. These have been dull since the Supreme Court decision of a few months ago. This decision may not hurt the larger direct writing fire companies nor the well-operated reinsurance companies, but it could knock the present agency system galley-west. Up to the present time, the insurance agents of most States have controlled the insurance business. Their honeymoon is apparently over.

Roger W. Babson

Different Kinds of Insurance Compared

All kinds of insurance companies are more or less fearful of government interference in this country. In foreign countries the insurance industry has been one of the first to be taken over by the socialistic governments. So many people are affected by insurance that it has been a popular industry for politicians to seek lower rates. Some economists claim that the cost of selling insurance could materially be reduced under government ownership.

In the case of fire companies, this might be done by adding the insurance premium to the tax bill, based upon the amount that the property is assessed. In the case of accident insurance, the premium could be deducted from the wage envelope; while life insurance will come more and more under social security. Personally, I believe that these changes may come some day but need not be taken seriously at this time. Besides, there always will be an opportunity for private companies to sell "excess insurance,"—excess fire, burglar, accident, life and certainly casualty.

Insurance and Inflation

It is not Supreme Court decisions or government operations which I fear, — but rather inflation. Inflation could materially hurt life insurance companies. It is true that they can pay out the same dollars that they take in, but they have contracted to make these payments based upon certain operating expenses. In the case of non-participating insurance companies, these operating expenses could gradually increase, due to inflation, without the direct writing companies having any means of increasing their income.

When a life insurance company took a contract 40 years ago on a young man at twenty years of age the company assumed that conditions would remain the same until the man finally died. Up to the present time, better health methods have been reducing death rates. These have offset, temporarily, these increased expenses and decreased interest rates. If inflation does not come and interest rates soon again increase, these life insurance companies have little to fear; but, otherwise, look out.

Fire Company Stocks Best

Fire insurance companies are not subject to these handicaps as their rates can be readjusted every one, three or five years, according to the length of the outstanding policies. This is also true of most accident and health policies. Frankly, I prefer the stocks of good fire and accident insurance companies to those of life companies and health companies. Some other week I will discuss casualty companies; but this is a subject by itself.

The cloud over the fire insurance companies at the present time is the very heavy fire losses. These are running today greater than they have been for years. Coupled with these losses are the unjustified cuts in rates by the insurance departments of certain States. These rates should be raised instead of lowered. The increased fire losses are due to "poor housekeeping, untrained employees and the inability of fire chiefs to get the needed equipment." Therefore, next week I shall say a word to your City Fathers as to the immediate need for installing more fire alarms, buying more fire equipment and making their departments more efficient just as soon as possible before the big inflation comes around 1950.

TO OUR STOCKHOLDERS AND EMPLOYEES:

With the approval of the Board of Directors, the annual report of the Corporation, showing the results of operations for the year ended June 30, 1944 is herewith submitted.

The consolidated net profit was $4,984,098 equivalent, after preferred dividends, to $7.43 per share on the 632,388 shares of outstanding common stock. This is after deducting all charges, making foreign exchange adjustments and setting up a reserve for contingencies of $1,250,000. The previous year's result was $4,256,656 equivalent to $7.40 per share on the 575,174 shares of the then outstanding common stock, after setting up a reserve for contingencies of $750,000. The working capital shows an increase of $4,561,058.

The combined net earnings of our Canadian and Argentine subsidiary companies were $2,245,411 after conversion into U. S. currency. There are no restrictions in either country on the transfer of current earnings to the United States. Opportunities for expansion in both Canada and Argentina have been encompassed in our post-war plans.

In addition to the earnings stated above, the Corporation's share of undistributed earnings for the year ended June 30, 1944 in companies not consolidated amounted to $327,189.

Proceedings with respect to renegotiation have been concluded for a number of our companies for the period up to June 30, 1943, and the results included in current operations. The effect of further renegotiation for either the years ended June 30, 1943 or June 30, 1944 on earnings cannot be material.

During the past fiscal year, dividends paid in cash amounted to $1,464,839 equal to $285,923 on the 5% Cumulative Preferred Stock outstanding, and $1,178,916 on the Common Stock outstanding (at the rate of $2.00 per share). On May 15, 1944 a 10% Common Stock dividend was distributed to stockholders, and the regular 50¢ quarterly dividend was paid on the additional shares.

Direct taxes charged to operations for the last fiscal period amounted to $11,778,000 in comparison with $8,142,000 for the previous fiscal period. The carry back provisions of the Federal income tax law may result in refunds in the event that future earnings are abnormally reduced.

Depreciation of fixed assets was $864,304 as compared with $723,208 for the previous year. New machinery and additions to plant account amounted to $485,985.

The United Factors Corporation, whose activities consist of commercial factoring, increased its volume over the previous year, and also enlarged its list of clients. Operations are confined to the purchasing, discounting and guaranteeing of the accounts receivable of its customers. No advances are made against merchandise inventories. As the business of most of our clients is related to textiles, we feel we are particularly adapted to render an unusual service, and look for a natural and healthy growth for this company.

Activities of the Research Division continue to receive our vigorous attention, as we consider this development of our business of great importance. The creation of new fabrics, including the experimentation with new fibres, new finishes, and the use and adaptation of chemicals, and manufacturing processes, will evidence itself in many ways as soon as business resumes normal operations.

Our conversion problems from war time activities to the peace time demands of our customers are of no consequence. There has been little change in the character of our physical equipment. The resumption of complete civilian production will be accomplished without interruption since our key personnel to a large extent is intact, and our mills and finishing plants are in a high state of efficiency.

The importance of customer relations has had the constant attention of our Sales Divisions, and we believe we have built up, during this unusual period, a store of good will with our trade.

Business activity throughout the year was at a high level, and the textile industry felt the full impact of the war. Due to the requirements of the Armed Forces which we have met to the extent possible, we have been unable to fulfill civilian requirements. In many lines of consumer goods, shortages and voids have taken place. This condition should tend to create a pent up demand for various classes of merchandise in the postwar period and make available an important potential market on which to concentrate.

On December 1, 1943 the Bath Mills, Inc., one of our subsidiaries located at Bath, S. C., was honored with the Army-Navy "E" Award. This plant supplied insect netting and fabrics for uniforms for the Armed Forces.

Strongly believing in the importance of practical and scientific knowledge for the training of young men who are interested in textiles, the company has made donations to four textile foundations for the support and further development of textile schools. We feel, broadly speaking, that this is helpful to the future of the textile industry.

We now have 1,354 of our employees in the Armed Services. Of grave concern is the problem of restoring employment to returned Servicemen and assisting them in readjusting themselves to civilian life. Your company has developed a definite policy in this respect, and a suitable position, or an even better opportunity, if capabilities permit, will be offered to each man upon his release from the Service.

Approximately 9,000 people are employed at the present time, and existing relations between employees and management are entirely satisfactory. The Personnel Department, realizing the importance of employee and management relationship, has during the past year inaugurated many improvements for the general benefit. In this connection the latest development has been the installation of child nurseries at some of our mill locations. This has made possible a steady attendance on the part of many women who are employed under war time conditions, relieving them of the problem of child care during working hours.

The company has continued its Group Insurance, which is available to all employees. Our Pension Plan is in operation, and physical examinations of company executives are arranged annually.

The Executive Committee, appointed by the Board of Directors, continues to meet monthly, and is in intimate touch with the current affairs of the company at all times.

In Conclusion:

The year ended June 30, 1944 was one of substantial progress; financial strength was added, and post-war plans brought nearer to operation.

At this time it is difficult to visualize postwar conditions and their effect on the progress and earnings of the company. Your officers and directors have considered this subject, and to meet any contingency which may arise in this country or abroad, reserves have been set up which, in our opinion, are ample. The decreased demand from the government when peace returns should in measure be replaced by substantial domestic civilian requirements, unsupplied during the war, plus the demand for American goods from the liberated countries of the world.

In spite of the uncertainties that lie ahead, the management looks confidently to the future and has endeavored to put the affairs of your company in such shape as to be able to cope with new conditions.

The company is in a stronger and more liquid financial position than ever before and has ample ready resources to be used for post-war rehabilitation and expansion.

The directors and officers wish to take this opportunity of extending greetings to the 1,354 employees serving in the Armed Forces. We also express deepest sympathy to the families of the members of our organization who have made the supreme sacrifice in the Service of their Country.

Again it is my pleasure to express great appreciation for the commendable work, splendid cooperation, enthusiasm and results shown by the efforts of the various executives and employees of the Company and its subsidiaries both here and abroad and also for the continued guidance of my associate officers and the directors.

J. W. SCHWAB,
President.

October 25, 1944.

This report is not a representation, prospectus or circular in respect of any stock of this corporation and is not presented in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued.

United Merchants and Manufacturers Inc.

WILMINGTON, DELAWARE

16th Annual Report

for the fiscal year ended June 30, 1944

The financial statements presented below are subject to footnotes published in the annual report of the Company.

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1944

ASSETS

CURRENT ASSETS:			
Cash on hand, in banks and in transit		$ 6,045,679	
United States Government Obligations—at cost or redemption value and accrued interest (Market Quotations $8,990,291)		8,987,584	
Canadian and Argentine Government Bonds—at cost (Market Quotations $289,580)		289,862	
Trade accounts, notes and acceptances receivable, less reserves of $324,219		10,071,193	
Accounts and notes receivable purchased, less reserves of $222,188		7,134,982	
Merchandise Inventories (Note A):			
Raw materials and supplies	$2,046,245		
Goods in process, including greige goods	7,348,122		
Finished goods	2,534,392	11,928,759	
Other receivables (including $432,093 due from associated companies—not consolidated)		536,131	$44,994,190
INVESTMENTS IN ASSOCIATED COMPANIES—not consolidated—book value as per financial statements as at June 30, 1944—$1,946,189 (Note B)			720,631
OTHER ASSETS:			
Sundry receivables and investments (including $273,007 representing cash surrender value of life insurance policies and deposits with mutual insurance companies)		546,696	
Federal and Canadian post-war excess profits tax refunds		545,465	1,092,161
FIXED ASSETS (Note C):			
Land and buildings	$ 5,402,841		
Machinery, equipment and leasehold improvements	11,440,504	16,843,345	
Less: Reserves for depreciation and amortization		8,421,201	8,422,144
DEFERRED CHARGES			767,089
PATENTS, GOODWILL AND TRADEMARKS			3
			$55,996,218

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—banks		$ 2,550,000	
Credit balances of factored clients		4,955,724	
Trade accounts payable, sundry liabilities, accrued expenses, etc		6,153,437	
Reserve for Federal and foreign income and excess profits taxes	$10,702,210		
Less: United States Treasury Savings Notes, Series C and accrued interest	5,797,889	4,904,321	$18,563,482
RESERVE FOR CONTINGENCIES			3,000,000
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANIES—CONSOLIDATED			762,596
CAPITAL STOCK (Note D):			
5% Cumulative Preferred Stock, Par Value $100 per Share:			
Authorized and issued	60,000 shares		
Less: In treasury	3,255 shares		
Outstanding	56,745 shares	5,674,500	
Common Stock, Par Value $1.00 per Share:			
Authorized	750,000 shares		
Issued (including 176.88 shares still to be issued in exchange under plan of capital stock readjustment) and stated at par value of $1 per share plus $6,451,790 added to capital by resolutions of the Board of Directors	660,000 shares	7,111,790	
SURPLUS (Note D):			
Capital surplus		2,238,869	
Earned surplus, since August 1, 1932		19,075,782	
		34,100,941	
Less: Held in treasury—27,612.22 shares of Common Stock at cost		430,801	33,670,140
			$55,996,218

FACTS FOR OUR STOCKHOLDERS

	Year Ended June 30, 1944	Year Ended June 30, 1943	Year Ended June 30, 1942	Year Ended June 30, 1941	Year Ended June 30, 1940	Eleven Months Ended June 30, 1939
Net Profits (*After Reserve for Contingencies*)	$ 4,984,098	$ 4,256,656	$ 3,787,902	$ 2,623,132	$ 2,021,620	$ 1,466,196
Preferred Stock Dividends Paid	285,923	—0—	—0—	—0—	—0—	—0—
Earnings per Share on Outstanding Common Stock	7.43	7.40	6.41	4.37	3.37	2.44
Number of Shares of Common Stock Outstanding	* 632,388	575,174	590,528	599,903	599,658	599,956
Dividend Rate per Share on Common Stock	$ 2.00	$ 2.00	$ 1.50	$ 0.50	$ 0.25	—0—
Book Value, Common Stock per Share (*After Reserves for Contingencies and after deducting outstanding Preferred Stock at $104 per Share*)	43.91	42.24	34.96	29.59	25.47	$ 22.45
Net Quick Asset Value Common Stock per Share (*After deducting outstanding Preferred Stock at $104 per Share*)	32.46	27.17	19.43	15.72	12.62	9.62
Working Capital	26,430,708	21,869,651	11,475,098	9,435,368	7,514,932	5,771,526
Reserve for Contingencies	3,000,000	1,750,000	1,000,000	400,000	—0—	—0—
Capital and Surplus:						
Preferred Stock	5,674,500	6,000,000	—0—	—0—	—0—	—0—
Common Stock and Surplus	27,995,640	24,536,754	20,643,380	17,755,596	15,281,354	13,471,241
Taxes Paid or Accrued:						
Normal Income and Other	3,172,000	2,233,000	3,076,000	1,308,000	739,000	634,000
Excess Profits	8,606,000	5,909,000	3,317,000	322,000	42,000	—0—

*Includes 57,490 shares representing 10% stock dividend distributed May 15, 1944.

Mutual Funds

Constructive Merger

Lord, Abbett has announced the proposal to merge **Quarterly Income Shares** and **Maryland Fund** into **American Business Shares.** The merged company will be known as **American Business Shares** and will continue to be under the management and sponsorship of Lord, Abbett. It will have net assets of approximately $31,000,000, thereby giving the present shareholders of American Business Shares the advantages of an enlarged corporation in which the expense ratio should show a substantial decrease.

At the same time, shareholders of Quarterly Income Shares and Maryland Fund will have the redemption value of their shares restored to 100% of asset value from the 80% redemption value now in effect.

In the announcement memorandum to dealers, **Lord, Abbett** states: "We believe that the proposed merger is a highly constructive operation for all parties concerned."

This column concurs wholeheartedly in the belief that the merger is a constructive one, not alone for the immediate parties concerned, but also for the entire mutual fund field.

Fully Invested

William A. Parker, President of **Incorporated Investors,** in the current quarterly report to stockholders, states: "Your company is maintaining practically a fully-invested position because it is felt the transition from a war economy to a peace economy may be more gradual and less abrupt than many had supposed."

Mr. Parker goes on to say: "With so much destruction of plant equipment and houses abroad, with demand for consumer goods and dwellings building up in our own country over a longer period of non-production than ever before, with an unequaled accumulation of purchasing power, it is difficult to conclude that the dislocation following victory in Europe will be unusually long or severe."

Net assets of **Incorporated Investors** on Sept. 30, 1944, stood at $53,487,406, compared with net assets of $47,214,451 a year earlier.

Clever Folder

W. R. Bull Management Co. has published a new folder on **Republic Investors,** which provides a unique and effective set of answers to the question of what you get when you buy Republic. The folder is an eight-page, pocket-size piece which opens at the top and carries the reader through a complete sales presentation on Republic. The various advantages and services available through this fund are emphasized separately, with a short discussion covering each point.

An unusual wrinkle near the end is the page devoted to diversification in which blank spaces are left for the figures on Republic to be filled in by the salesman at the time of the interview. The current figures on Republic's diversification include 34 companies in 19 industries. These companies range in size from $10 million to $4,400 million and have total assets of $15,400 million.

Popular Girl

BARRON'S "Widow" has received considerable attention from mutual funds since BARRON'S recently published the five-year results of eight prize-winning programs designed for this mythical investor. **Distributors Group,** in a new folder on **Fully Administered Shares,** compares the performance of FAS with the eight prize-winning programs in BARRON'S. Here are the results:

COMPARATIVE FIVE-YEAR RESULTS

	Market Appreciation	Average Annual Income
BARRON'S eight prize-winning programs	3½% to 12¼%	3.5% to 5.4%
FULLY ADMINISTERED SHARES	24.8%	*6.6%

*Regular dividends averaging 5.0%, plus an additional 1.6% in extra dividends.

Capital Growth

Keystone Corp., in the current issue of **Keynotes,** places emphasis on capital growth.

"Out of 13 classes of securities available to the investor, there are three which are particularly appropriate for capital growth, since they move faster marketwise in both directions than the general average of equities. These three classes are: (1) Speculative Common Stocks, (2) Appreciation Preferred Stocks and (3) Low-Priced Common Stocks."

For the "growth portion" of an investment account, **Keystone Corp.** recommends 30% in Keystone Speculative Common Stocks (S-3), 30% in Keystone Appreciation Preferred Stocks (K-2), and 40% in Keystone Low-Priced Common Stocks Fund (S-4). This combined investment would include 125 selected stocks with an average yearly market fluctuation of 64.6%.

"Wood and Glue Sandwiches"

Issue No. 11 of **National Securities & Research Corp.'s** letters on **Industrial Stocks Series** points to the tripled production of plywood—"wood and glue sandwiches"—during the last three years and to the basic improvements in the product itself. With the promise of further growth ahead, three outstanding plywood companies are included in the portfolio of Industrial Stocks Series.

This sponsor's current issue of **Investment Timing** contains a well documented article on "Foreign Trade and Prosperity" by Dr. Max Winkler, Consulting Economist to National Securities & Research Corp. Our role as world banker is discussed and the importance of foreign trade is stressed, both for its benefits to us and for its contribution to world prosperity and peace.

Good Management Pays

Lord, Abbett, in the current issue of **Abstracts,** compares the performance of each of its six **Union Trusteed Funds** with appropriate market averages of similar securities. The period covered is the year ending Oct. 15, 1944. In every instance the performance of the Union Trusteed Funds was at least twice as good as that of the comparable average, with the margin of advantage for the Union Funds ranging from a low of 7.1% to a high of 19.1%.

Railroad Equipment Boom

Distributors Group, in the current issue of **Railroad Equipment News,** quotes the figures of Dr. Julius H. Parmelee, Director of the Bureau of Railway Economics of the Association of American Railroads, on post-war requirements for railroad equipment.

"These minimum requirements for railroad equipment—$340 million yearly in the first five years after the war—compare with the average annual expenditures of $306 million in the seven-year period from 1923 to 1929—the most prosperous period in the history of the railroad equipment industry!"

Who Purchases Fund Shares?

In its current memorandum on **Selected American Shares,** the sponsor, **Selected Investments Co.,** analyzes the types of purchaser of Selected American Shares in recent months. The list breaks down as follows:

Men	29%
Women	48
Joint tenants	20
Executors and Trustees	2
Corporations	1

The memorandum comments further that a check of shareholders in 1938 revealed that 40% were women and 12% joint tenants, and draws the conclusion that a trend toward ownership of mutual fund shares by women is now in force.

Investment Fund Reports

General Investors Trust—Net assets on Sept. 30, 1944, amounted to $2,160,999, or $5.56 per share.

Investment Company of America—Net assets on Sept. 30, 1944, amounted to $4,623,656, as compared with $3,723,660 on Dec. 31, 1943.

Wisconsin Investment Co.—Net assets on Sept. 30, 1944, totaled $1,466,908.

Mutual Fund Literature

Calvin Bullock—A new folder on **Dividend Shares,** "You'll Enjoy Good Company." . . . **Broad Street Sales Corp.**—An issue of **Items** comparing the performance of **Broad Street Investing** and **National Investors** with BARRON'S prize-winners. . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important." . . . **Keystone Corp.**—Primary lists on **Keystone Custodian Funds** as of Oct. 1, 1944; revised portfolio folders on Keystone Income Preferred Stocks (K-1), Appreciation Preferred Stocks (K-2) and Income Common Stocks (S-2); a new edition of the folder "10 Securities" revised to Oct. 1, 1944. . . . **Distributors Group**—A reprint of an address by Harvard University's Dr. Sumner H. Slichter on "The Post-War Outlook for Business and Labor." . . . **Hare's Ltd.**—A new folder, "The Banks and Post-War Prosperity."

OUR REPORTER'S REPORT

The record set in the marketing of new securities, during October, probably will stand for a long time before it is exceeded, since many of the corporations which contributed to the vast bulk of the issues brought out will not have occasion to return to the market in the near future.

Only a small part of the total represented actual new money, the major part of the total involving the refinancing of higher-priced securities already outstanding, notably in the public utility field.

Exclusive of municipal issues, which in themselves were heavy at times, also secondary markets, underwriting bankers handled an aggregate of more than $721,000,000 of new securities during the month. It would require considerable thumbing back of the records to produce a month in recent years approaching such proportions.

By far the largest single undertaking was that of the Commonwealth Edison Co., of Chicago, which refinanced a total of $185,000,000 of bonds, involving the public offering of $155,000,000 of new 3s.

The second largest was for the account of Philadelphia Electric Co. which sold a total of $130,000,000 in a single operation, but in two maturities of equal size.

In the case of Commonwealth Edison Co. the sale was completed on a negotiated basis with the company's bankers. But Philadelphia Electric called for bids, received only one bid, made jointly by two groups, and found itself in the midst of litigation when a stockholder went to court in an effort to have the sale upset.

Competitive Bidding

Results of the October outpouring appeared to indicate that while the Securities and Exchange Commission's Rule U-12, which provides for competitive bidding, operates well enough on smaller issues, it is destined to run into difficulty where unusually large undertakings are concerned.

On what the underwriting fraternity is given to calling "street-sized" issues, that is loans running up to $25,000,000 or thereabouts, there is brisk bidding, as witness the case of Potomac Edison which received five group bids and California-Oregon Power Co., which gathered in a total of four group bids for the securities sold this week.

SEC evidently took cognizance of the situation when it put its stamp of approval on the Philadelphia Electric transaction. But it remains to be seen what effect the stockholder action will have on Commission action in the future. The impending sale of Pacific Gas & Electric's $115,000,000 of new securities may bring the answer.

Financing the Airlines

A matter that has been causing increasing discussion among interested parties was brought to the fore earlier this week when Joseph P. Ripley, Chairman of Harriman Ripley & Co., Inc., discussed the post-war aspects of aviation financing before the Cornell Society of Engineers.

He dealt with both the manufacturing end and the transport end of the industry. But momentarily at least, chief interest is in the transport end, since as Mr. Ripley said, it is possible that purchases of equipment by the latter will serve in substantial part to finance operations of the manufacturers.

Mr. Ripley expects the transport firms to obtain new capital, as they have through the sale of common and preferred stocks, but foresees a new "equipment trust" instrument as likely to develop. Admitting there are some rather difficult problems to overcome in designing such an instrument, he said he was satisfied that these would be surmounted to permit raising of substantial amounts of capital at favorable interest rates.

New Issues Go Well

Those watching the movement of new securities brought out this week were satisfied that the market's power of absorption had not yet been satiated, though it may have been slowed a bit by the heavy run of offerings.

Koppers issues were reported moving well. And it was indicated, according to dealers that the Metropolitan Edison bonds and new preferred, and also the Potomac Edison's new 3s and the California-Oregon Power Co.'s 3⅛s, the last two expected to reach market today, would go out in good style.

These observations were based on reported inquiry for these issues which developed in the wake of their award to successful bidders in the competitive sales of Monday and Tuesday.

Why is Ed Lane up in the air?

BECAUSE he's down to earth about conserving coal. That's why he's putting up storm windows. He knows there will be some shortage of coal going to householders.

No less coal is being produced. More is being mined than ever before—with fewer men. Mine owners and miners alike are doing a splendid job. There are ample rail facilities for coal transport.

But certain grades of coal are going to be greatly in demand for war production. And, to make things worse, your local coal dealer faces a shortage in manpower, trucks and tires.

So if you want to keep warm this winter, do everything possible to conserve the coal you can get. The little, common-sense things you can do will make your coal pile go 10% further—and save that much on your fuel bill.

Install weatherstripping. Clean your furnace. Fire carefully, and avoid overheating. Shut off unused rooms. Pull your shades low at night. For other suggestions, see your coal dealer.

One of the biggest jobs of the C & O Lines is hauling coal from the mines along its routes, so we're in a position to understand the problem, and to know how essential coal is these days.

Chesapeake & Ohio Lines

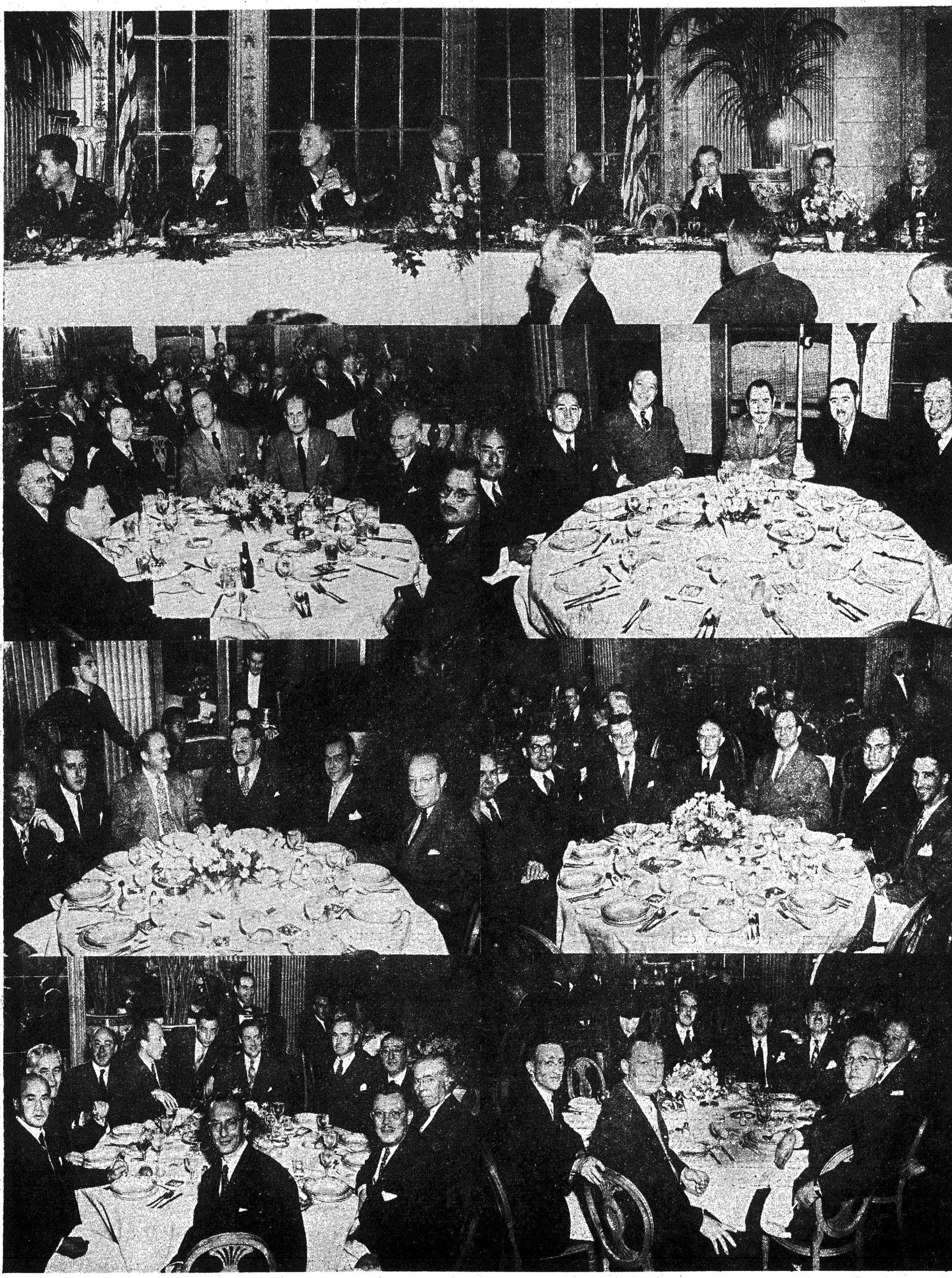
CHESAPEAKE AND OHIO RAILWAY

NICKEL PLATE ROAD

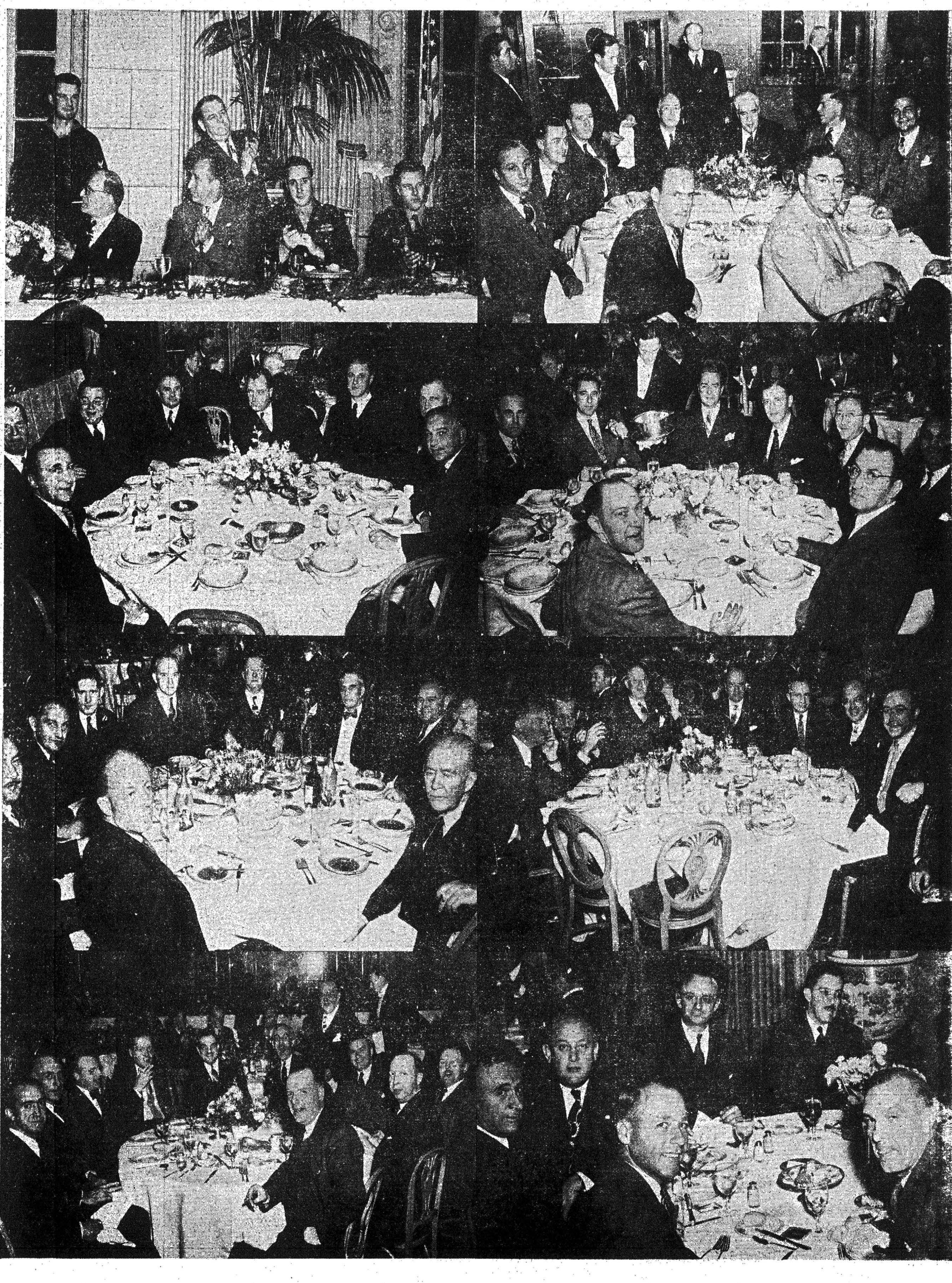
PERE MARQUETTE RAILWAY

Save Coal—and Serve America

New York Security Dealers Association



Holds Business Meeting and Dinner



Canadian Securities

By BRUCE WILLIAMS

The later the Federal election is postponed the more urgent is the necessity to call a Dominion/Provincial conference. This question should not be judged from a partisan angle as it can prove to be the key to post-war economic development and national unity.

Canada has achieved externally the status of a world power even before complete integration has been attained internally. Already the Liberals both in Quebec and Ontario have sounded the call for the sinking of the differences existing between these two provinces, which have been the principal bar to true national unity. Mr. Stuart Garson, the Premier of Manitoba, never ceases to urge the necessity of the removal of the obstacles in the path of the progress of western Canada, which holds the highest promise for the future of the Dominion.

To cite the case of Manitoba alone, although out of its own resources provision has been made for post-war development, this will be woefully inadequate to ensure full employment and to permit proper exploitation of the provincial natural wealth.

Contrary to general belief, Manitoba is not just another agricultural area with a modicum of industrial development. Actually, industrial activity in Manitoba is now almost as important as farming and, in addition, the mining industry has tremendous post-war potentialities. Extensive gold discoveries have been made in the Snow-Herb Lake district in Manitoba's Precambrian Shield area and to supplement the base-metal output of the existing famous Flin-Flon mine, recent prospecting has also uncovered further interesting deposits of copper, zinc, chromium, nickel and lithium.

The scope for development in British Columbia is generally appreciated but few are alive to the latent tremendous industrial and mineral possibilities of the Province of Alberta. Nowhere on this Continent is there an area which gives greater promise for the production of oil and coal on a huge scale. Moreover, the inevitable opening up to civilization of the North West Provinces will be accomplished from jumping-off points in Alberta, and Edmonton in particular will benefit by the development of Canada's northern empire.

Thus, it is essential that all the provinces of Canada get together for the furtherance of the national interest, and in such a way that it will not afterwards be said, either that the Dominion/Provincial conference was held too late, or that this province or that placed its own interests before the general welfare of the Dominion.

There is little doubt that such a meeting should prevent any postponement of the proper development of Western Canada, the Yukon and the North West Territories. It should also prove to the great provinces of Ontario and Quebec that there are also tremendous possibilities outside of their borders.

With regard to the market for the past week, there was a slight increase in the offerings in connection with the Seventh Victory Loan, but these were readily absorbed. For the first time since the flotation of the new City of Edmonton issue, a natural demand for these bonds developed, possibly based on expectations of an early announcement in connection with an Alberta refunding operation, as the bonds of this province also showed general firmness. Montreal issues were still slow moving, but it will only require one institutional investment order to redress this situation.

Internal issues were firm and the Canadian funds in the free market further strengthened to 10% discount. It is now evident that in the last year there has been a definite change in the general market appraisal of the Canadian dollar. A year ago, any exceptional offerings of exchange were immediately thrown on the market. Now, they are held with confidence awaiting a natural demand.

Furthermore, there are increasing indications of capital from this country flowing northwards, not only for bond investment but also in connection with Canadian industrial and mining development. Therefore, although the restoration of the Canadian dollar to parity still does not appear to be a matter for immediate consideration, nevertheless, it is again opportune to point out that, whenever cheap exchange is available, investment in internal securities should prove profitable.

Naturally, with increasing discussion of Federal election prospects there can be further exchange fluctuations, but for a long view it would be difficult to choose at current levels a currency with better prospects than the Canadian dollar.

Turning to possible future developments, little increase in activity can be expected while the Seventh Victory Loan is in progress but on its termination there could be a decided acceleration of market tempo with higher prices.

Post-War Problem Is One of Deflation and Not Inflation

(Continued from page 1914)

ago War Mobilization Director Byrnes emphasized that all the rescue work in Europe can be done with the huge accumulated stockpiles of our armed forces and even expressed concern as to the disposition of more than two million tons of foodstuffs. This year we will produce 38% more in food and 60 to 70% more in fats and oils than in the average of the years 1935-39. Our ranches have an over-supply of cattle and no effective method has been proposed for reducing this surplus quickly."

"Our problem," continued Dr. Hirsch, "will not be rising prices and scarcity but an over-supply more dangerous than in 1932. Everything will be done to keep prices up. Both Presidential candidates have pledged the inauguration of a larger AAA.

"The real danger is not inflation and skyrocketing prices and wages but deflation and large-scale unemployment. The Kilgore bill, proposing $35 weekly unemployment pay, which may come up for discussion again very soon, means this: 'We promised full employment' to everyone. As we cannot fulfill that promise, let us pay them as if they were employed.' I call that the labor employment philosophy of the 'as if.' And I fear it will not help fundamentally.

"One and a half to two years after victory, the cost of living index may be down to 115 or even 110% of 1939, with a tendency to decrease slowly. The total take-home pay of wage and salary earners may be 20% above 1939. Interest rates will remain low.

"Our greatest inflation thus far has been in the fantastic ideas about post-war national income and national expenditures. The highest national income we ever reached at the peak of prosperity was $82 billion, but in 1933 we were down to $40 billion. The Commerce Department declared that in order to have high level employment we must have a national income of $142 billion in 1946. The Committee for Economic Development declared that this level is necessary.

"I consider these expectations products of wishful thinking and rather dangerous. We will have a national income of $153-155 billion this year, but only because Uncle Sam paid out almost $90 billion — not for consumption, but for the annihilation of the Axis. The Department of Commerce evidently expects an unheard of consumption miracle. This would mean an increase in consumption of each of these seven years two to three times as large as was observed in our history or the history of any country.

"Under favorable circumstances, I hope we may reach a consumption level 20% higher than in 1939 or a national income somewhat above $100 billion. If so, our normal employment may be somewhat higher than that of 1939 but will scarcely exceed 47 to 49 million. We will be reminded that we promised full employment to 60 million or more people.

"Under the impact of our huge productive power, controls against too high prices or wages will be superfluous within a few months after the war for 85 to 90% of all commodities.

The National Debt

Turning to the position of the national debt as a post-war problem, Dr. Hirsch maintained that it is not necessarily dangerous. "The accumulated debt of Uncle Sam," he points out, "totaled two hundred and nine billion dollars in July. The savings in the hands of private and non-incorporated business may soon reach about one hundred and twenty billion dollars and the 'misfortune' may happen that they go even higher. When this war ends, the savings in the hands of our citizens may amount to one and one-half times the nation's entire yearly income for 1940.

"I think that I am the father of the saying that a national debt becomes dangerous as soon as it exceeds twice the national income. This point was reached in Germany in 1919-20 when interest and amortization payments exceeded 10% of the national income. That, however, was a debt which bore interest of almost 5%. With our present interest rate of 2 to 2½%, this critical condition in our national income would not be reached unless our national income should drop to the depression figure of about fifty billion dollars a year.

"If this low figure should be reached, I trust that savings in the form of bonds would be of great help. Many people, whether they want to or not, will have to sell. Their sales will bring about additional employment and a higher national income.

"Now two words concerning the contention that 'bonds are no savings.' The argument is that we did not create new values to counterbalance the bonds but used them to defend our old values. Also, that we created a huge volume of new paper dollars while our real wealth in commodities and facilities did not increase.

"I doubt whether this argument is entirely valid but even in so far as it is, I challenge the conclusion.

"Not everything spent for war is lost. We have the war supplies and the war plants and we have improved our ports. The saleable value may not exceed thirty billion dollars. But we have undoubtedly greatly increased the efficiency of our industry. Some observers say: If we incur a debt of one hundred billion dollars, our national assets are diminished by this amount. If that were true, we would now be in a terrible situation. We would be penniless. Our whole national wealth in 1938 was evaluated at three hundred and eight billion dollars. If our public debt now amounts to three hundred billion dollars, we have nothing left at all.

"This shows clearly that this whole concept of national wealth as the balance of assets and liabilities is meaningless. Otherwise, how was it possible to produce a gross national output of nearly two hundred billion dollars in 1943, if our national wealth, which was used to create this output, was only three hundred and eight billion dollars in 1938?

"As to the idea that as soon as the war is over, John Q. Public will go on an extended spending spree and sell his bonds to do so, I do not expect that people will cash most of their war bonds.

"It has been said that one day people will lose confidence in all that paper which we gave them, will rush to cash their bonds and spend their money like 'drunken sailors.' The answer to an inquiry with the bondholders showed that only 11% of those questioned intended to spend their money immediately, whereas 70 to 75% wanted to hold on to it for some time.

"All experiences abroad show that the great majority will hold on to their savings as long as they can. When England converted its entire public debt in 1931, bonds were presented dating from the Napoleonic Wars. Three to four generations had enjoyed interest and security and had never known that 'war bonds are no savings.' Mr. and Mrs. America have gone through enough rainy days in the great depression. They will not spend their savings lavishly and if in election campaigns you promise full employment plus large unemployment doles plus free cigars, they will still anticipate more rainy days of unemployment.

"I do not expect that the Government will have to warn the people to hold on to their bonds, but it may even happen very soon that our officials will want to have them spend more than they are willing to. Price Administrator Chester Bowles estimated the other day that after Germany's defeat four million war workers and two and one-half million soldiers will be demobilized within six to nine months and that the payroll for salaries and wages then will drop by no less than thirty billion a year. He expresses the hope that the threatening unemployment may be mitigated by the spending of savings at a similar rate. This, he thinks, may take place while the war against Japan is still increasing our normal expenditures by at least forty to fifty billion. And what after the fall of Tokyo? I have great doubts whether our people will spend that much when they see that unemployment is in the offing. I would greatly regret it if the Government were to rely too much on this spending and did not prepare other measures to prevent unemployment.

"The expectation of a post-war inflation is based on the supposition that we will have empty markets after the war. But does this hold true? No doubt business inventories of retailers and wholesalers have decreased, but on the other hand those of the manufacturers are much larger than ever. If you add to this the modest estimate of twelve billion dollars worth of Government stockpiles which can be used for civilians when the war ends, you get an inventory large enough to meet the 1939 ratio of inventories to sales volume, even if the sixteen billion dollars worth of 'hot' savings which are expected to rush into the markets at the end of 1944, are taken into consideration. And this entirely neglects the possibility of earlier reconversion and of our increased productive capacity.

"Our current shortages in commodities are not due to a lack of raw materials, but to the scarcity of labor. As soon as the armed forces diminish their purchases and lend-lease is ended, 85% of all goods will be available in abundance. Food production in this country is equal to 138% of the 1935-1939 average. The record crops of the last three years are much too high for normal peace-time consumption. From Jan. 1, 1939 to Jan. 1, 1944 we increased the number of our hogs by 20% and our cattle by 40%.

"Under the impact of our huge productive power, controls against too high prices or wages will be superfluous within a few months after the war for 85 to 90% of all commodities. For automobiles, refrigerators, other consumer durables and construction materials somewhat longer periods may be considered. If large-scale unemployment should develop, rent control may last longer, as it did abroad long after 1919. Our efforts will be almost entirely directed against the danger of prices falling too sharply."

"The hope of helping America by an enormous expansion of her exports is equally hollow," continued Dr. Hirsch. "Our whole export in 1939 was three billion dollars or not as much as fourteen days of war production now bring in employment. Even if the assumption of the Federal Reserve Board should come true that two years after victory we will have three billion dollars more in exports than in 1939, it would only replace the equivalent in employment of eight or nine days of our war work for a whole year. And even that is unlikely to happen as our whole domestic policy of supporting high price levels and paying export subsidies will in the long run rather tend to decrease our export power and to increase our domestic over-production.

"For large-scale unemployment the policy of high employment doles is insufficient." He further contends: "We must find ways and means to employ those who are willing to work. This can never be done by wishful dreaming about fantastic income figures. It must be done by creating additional occupation through the close collaboration of Administration, employers and employees. America's greatest post-war problem must and will be solved in this generation, not by another war, not by unrealistic dreams 'abroad,' but on American soil by American ingenuity.

"There will be an abundance of labor at the latest after Japan's fall. Wage levels for unionized and non-unionized labor may vary. While unionized labor will probably be able to maintain wage rates at more than 25% to 30% above the 1939 level, as compared with 45% now, wages for non-unionized labor will be lower. We will thus have two strata of labor. Since the number of unionized workers is bound to decrease, the wage rate for one-third of labor may be at 130 or perhaps 125%, and for the other two-thirds at less than 110%. The average wage will thus be between 115% and 120% of 1939 if the pressure of unemployment does not become too strong.

"The decrease in output which I expect would theoretically mean higher overhead costs per unit. However, I do not think that too much emphasis should be given to this possibility.

"Much more important seems to be the point that labor productivity has evidently risen considerably. While there is much discussion, especially between the Department of Commerce and the Department of Labor, as to the extent of such increase in nonarmament industries, there are few who deny that there is an enormous increase in the 'know-how,' both in agriculture and in the manufacturing industries. Together with the change in the wage rate and in agricultural prices, it can be assumed that the increased efficiency of labor will eventually lower prices by 10% to 15%, that is to 115% to 110% of the price level of 1932. This seems also to be the opinion of the OPA, which expects post-war prices to be the same as those of 1942, which were 10 to 15% higher than those of 1939.

"In conclusion, I do not see any danger of inflation resulting from our large savings and the pent-up demand for consumers' durable goods. Rather, I think that they will be a valuable help in keeping up the decreasing post-war consumption. Under the impact of a lower purchasing power, which will be the result of less government spending, I expect considerable unemployment at the latest after the war with Japan has ended. And this, together with a surplus of agricultural products and an increased industrial capacity, will bring about a lower price level."

Columbia to Launch New Program of Business Training

The School of Business of Columbia University will start a new program of studies on July 1, 1945, to meet the needs of returning veterans and civilians who plan careers in business and economic affairs, Dean Robert D. Calkins said in his annual report to Dr. Nicholas Murray Butler, President of the University.

"Graduates of liberal arts colleges and professional schools will be admitted to a new two-year graduate program," Dean Calkins explained. "The new curriculum will lead to the degree of Master of Business Administration. In addition, the School will continue its one-year program leading to the Master of Science degree. These two programs are intended to prepare students as specialists and administrators in the institutions devoted to business and economic affairs. Those desiring careers in research, teaching, and scholarship may pursue more advanced studies leading to the Doctor of Philosophy degree."

The School will offer programs in accounting, banking, finance insurance, manufacturing, marketing, advertising, retail merchandising, and business research as well as a special curriculum in the operation of small business. Confident that many students, especially former servicemen, will wish to prepare for business careers abroad, special curricula are being organized in international business.

Students may combine their business studies with the new program of international studies and thus acquire knowledge of foreign countries, so that they may be informed representatives of this country abroad. Finally, the curricula will be available to students seeking specialist and administrative careers in non-business institutions, including the many governmental agencies dealing with business and economic affairs, Dean Calkins said.

Hevenor Sentenced

Harvey H. Hevenor, former banker and promoter, has been sentenced to 15 months' imprisonment for stock frauds of which he was convicted in Federal Court on Oct. 20. Judge Clarence G. Galston declined to follow the recommendation of Edward C. Wallace, assistant United States attorney, that Mr. Hevenor receive the maximum penalty of five years.

Mr. Hevenor was found guilty of selling stock in General Ordnance Company, Inc., on the false representation that the concern was about to fill large orders for an armament fuse, when actually the fuse was not ready for production.

N. Y. Analysts to Hear

At the meeting of the Public Utilities group of the New York Society of Security Analysts, Inc., scheduled for Friday, November 3rd, Clifford E. Page, President of the Brooklyn Union Gas Co., will speak on the outlook for Brooklyn Union.

At the meeting of the Industrials Division to be held the same day, Albert J. MacIntosh, economist for Socony-Vacuum, will talk on "A Forecast of Demand for Petroleum Products in the United States During the Post-War Period."

Both groups will met at 56 Broad Stret at 12:30 p. m.

The Society announces that effective November 1st a charge of fifty cents will be made for those who do not take lunch at the meeting.

Post-War Aspects of Aviation Industry

(Continued from first page)

in many ways quite separate and distinct. There are the airframe manufacturers, the manufacturers of engines and propellers, and the manufacturers of the smaller components such as flight instruments, radio equipment, radar, etc. The rubber companies and the suppliers of aluminum, magnesium, other metals and plastics are all part of the large group of industries which, working together, produce the component parts of what we call an airplane. And there is in aviation the great industry of building airports. Commissioner McKenzie of New York City has recently said that the runways which the city proposes to build at Idlewild will be equivalent to a normal automobile road extending from the Battery in Manhattan to the city of Poughkeepsie. Indeed, if the plans which one hears discussed from time to time nowadays are carried into execution for the building of runways and air strips throughout the country, the road-building industry and the producers of cement and asphalt will be, in effect, integral parts of the aviation industry.

Many quite separate and diverse factors will affect the post-war financing problems of these various industries related to aviation. Since it is, of course, impossible to discuss all of them in the time available to us here, I will do no more than attempt to high-light some of the financial aspects of the two main divisions of the aviation industry, these being (1) the manufacture of airframes, engines and propellers, and (2) the air transport industry. It is the former—the manufacturing industry—which has produced and is producing in great quantities the bombers and fighter planes which have not only made possible, but certain, the winning of World War II by the United Nations. And it is the latter—the air transport industry—whose early pioneering and know-how have made it possible for the commerce of war to be carried unerringly and swiftly into the farthest places of the earth.

Cut-Backs in Post-War Airplane Output

A spokesman for one of the airframe manufacturers said to a Congressional Committee a few months ago:

"Even the most ardent aviation enthusiast cannot foresee anything but a shrinkage of business in the period immediately following the war to a fraction of what it is now. We," he said, and I quote, "have been raised to the sky from humble origins. We are going to be cut back to size. Make no mistake about it."

Certainly there will be cut-backs and problems of contraction and reconversion to be worked out.

Monthly output of the airframe manufacturers has amounted to as much as 9,000 planes of all types. It is not for me to predict the future in this respect; but I gather that the *most* optimistic estimates of those more entitled to an opinion that I am, indicate that the output which the airframe manufacturers may be able to maintain in the post-war period will be not more than 10% of wartime output.

The answer to the problems of post-war financing for the manufacturers will depend on the nature and volume of the demand for new production in the period after the war, I fully believe that there will be a post-war demand considerably in excess of that prior to the outbreak of the war in Europe.

In October, 1943, the Graduate School of Business Administration of Harvard University published a study of the financial position of the aircraft industry. The study covered eleven major airframe manufacturers, and the figures used were as of the end of 1942. The salient conclusions of the Harvard study were that capital and profits were small in relation to output; working capital in relation to sales, and the current ratio, were low in comparison with other industrials and in comparison with prewar aviation manufacturing. The study reached the conclusions that the then existing corporate reserves might prove inadequate to absorb losses resulting from contract termination and inventory liquidation; that the costs of contraction and conversion might consume a substantial part of available funds; and that the remaining capital, together with what the companies might be able to raise, might be inadequate to maintain peacetime production and employment.

The Harvard figures presented a pretty drab picture. But they are now nearly two years old. In much the same manner as that adopted by the Harvard study, I have prepared a composite balance sheet and income account of aviation manufacturing. However, my balance sheet figures are as of the end of 1943 and my income account figures are for the year 1943. And my study covers twelve companies, of which nine are airframe manufacturers and the other three (Curtis Wright, Fairchild, and United) manufacture airplanes and engines. So, the figures are not strictly comparable with the Harvard figures either as to time or companies covered. And my figures present a somewhat more encouraging outlook.

It is important at this point that I emphasize the difference between *composite* figures for twelve companies and figures for any one company. The variations between companies are sometimes wide. But my subject is the composite picture and not any single company.

Proceeding to the showing of my composite aviation manufacturing balance sheet and income account, and omitting—as best I can—a maze of statistics, I would say that the study shows:

Net worth or proprietary capital (including surplus reserves) of $518,000,000.

Indicated net sales for 1943 aggregated about seven billion dollars. This total reflects the sales actually reported for eleven companies, with estimated figures for one company which did not report sales or costs of sales.

Net current assets of $400,000,000; inventories of $720,000,000; current ratio of 1.2.

Depreciation reserves of $97,000,000 or more than one-half of gross property account. Net property account of $94,000,000, excluding emergency plant facilities under EPF or other government contracts.

Bank loans or credits—separate and apart from current loans—aggregating $122,000,000.

Absence of publicly held debt obligation securities such as mortgages and debentures. The investment of the public in aviation manufacturing is represented by stock—as I think it should be.

The preponderance of common stock as indicated by net worth or total proprietorship in the amount of $518,000,000, of which only $32,000,000 is represented by preferred stock.

Net income (after taxes but before surplus reserves) in 1943 amounted to 2.24% of sales and 34.2% of average 1943 proprietorship.

Earned surplus aggregating $212,000,000 as compared with net worth or total proprietorship of $518,000,000.

The public financing of aviation manufacturing has been almost exclusively by stock, as it should be; depreciation charges have been liberal; and dividend policies have been conservative; but the war has "blown up" the industry to the point where working capital ratio is low and net working capital and proprietary capital are very low in relation to volume of wartime output. In the absence of government advances on current account totaling $720,000,000 for the twelve companies, it would be impossible for the manufacturing companies on a composite basis to finance the inflated war output on their own resources.

So much for the past and the present. We are now obliged to venture into the future, whatever the risk.

If gross sales are to be divided by 10 or more, aggregate proprietary capital and net working capital by the end of 1944 (assuming continuance of conservative dividend policies) should each be roughly equal to gross sales, and thus reasonably adequate for post-war output. Now, this statement is on the assumption that working capital, particularly inventories, liquidates itself and becomes available for post-war operations. And on the further assumption that the companies will have no occasion to purchase some of the war-built facilities owned directly or indirectly by the Government. This latter assumption will not—I think—turn out to be the case.

Thus, the need for fresh capital will hinge—I think—upon the essential problem of *transition* from war to peacetime conditions involving the termination and settling of war contracts, the cost of acquisition of *some* of the Government-owned facilities, and the *obtaining* of business (Government and private) with which to carry on after the war.

It appears at present that the post-war problems of the manufacturing industry will be complicated by the lack of any clear-cut government policy covering the disposal of surplus aircraft of the Army and Navy, absence of any defined authoritative Government policy in respect to post-war military procurement program, and absence of policy in respect to disposal or otherwise of Government-owned or EPF facilities financed by the Government and not acquired by the aviation manufacturing industry. I cannot begin to give you the answers to these problems. I do not know who can. On the other hand, the "carry back" feature of the tax law should be of substantial help to the manufacturing companies if the period of possible conversion losses synchronizes properly with the two-year carry-back provision of the law.

In brief, I do not at this time see that the financial problems by which aviation manufacturing may be confronted in the post-war period can be defined or solutions suggested in the utter absence of knowledge as to the operating climate in which this division of the industry will find itself when the smoke clears away. The uncertainties are clearly indicated by the stock market where current quotations indicate that the twelve companies covered by my study are selling in the aggregate for less than their 1943 net working capital and for only 2½ times 1943 net income after taxes but before surplus reserves.

After months of argument Congress has determined that surplus property disposal, including aircraft, is to be handled by a three-man board. Will Clayton, who had been selected to head the Surplus War Property Administration and who has given much time and study to the development of sound policies, has stated that the Congressional plan of action is unworkable and that he will not serve. And the weekly "Aviation News" says that "the new legislation is one of the worst major bills ever passed by Congress," adding that "it must be amended radically unless surplus disposal of this war makes the hodge-podge mess of the last one look like a perfect job."

It is well to remember that the aircraft manufacturing industry was virtually destroyed at the end of World War I. For several years after the First World War, military demand for new aircraft was very low. Healthy recovery did not get under way until ten years later, in 1928, when it came about largely as a result of the constructive work of the Morrow Aircraft Board and of the sound legislation which had its origins in the findings of that board. We can hope that the mistakes made at the end of the last war will not be repeated and that Government policy in respect to disposal of surplus airplanes and engines, policy in respect to handling Government-owned facilities, and military procurement policy, will be such as to permit and ensure a steady and healthy volume of production and progress in scientific development of the art of aviation. Great technical progress has been made during the war years and it is important that we continue to make such progress. There must be no retrogression. Fortunately, both the Army Air Forces and Naval Aviation appear determined, so far as the matter may be within their control, to continue to acquire new aircraft and to pursue the search for improved design and efficiency in the post-war years.

Our always progressive air transport companies are not going to be content to use outmoded or surplus equipment. They are constantly seeking better planes and better operating techniques. It is a healthy and encouraging indication of what may be in store for the manufacturers from commercial sources that recently American Air Lines, Panagra, United Air Lines and Pennsylvania Central have placed orders with Douglas Aircraft for a large number of DC-4s and DC-6s. I understand that Eastern Air Lines is negotiating for the purchase of DC-4s and for the commercial version of the Curtiss-Wright Commandos, the CW-20. Also that National Airlines has placed an order for a substantial number of CW-20s; and that Pan American has placed an order for a large number of DC-7s. All told, then, the manufacturers of these aircraft have in hand a backlog of commercial orders aggregating $100,000,000 or more. If we contrast this figure with aggregate 1943 sales it looks small indeed. But the placing of these orders at this time is a very healthy sign for aviation manufacturing.

As I see it, there is little proper place for the public issuance of debt securities by the manufacturers of airframes and engines. They may very properly have recourse to bank credit to finance war contract termination and receivables, but I believe that their public financing through the issuance of securities should be in the form of stock issues, common or preferred, or both. The availability of equity capital for aviation manufacturing is a subject on which it is impossible to generalize. The answer will depend upon both the prospects for profitable operations and the general availability of new capital for equity financing. The effect of taxation on the attractiveness of risk-taking is one of the many factors which will determine the readiness with which new equity capital may be obtained, not only for aviation manufacturing but for industry in general. It would be hazardous, indeed, to undertake today to prophesy the course which these developments may take. Yet, despite the difficulties and uncertainties, I am optimistic enough to believe that the manufacturing companies will be able to obtain whatever new capital may be needed to handle the post-war demand for production. I have seen aviation manufacturing in a much worse plight than now, however difficult some of its future problems may appear.

The investment banker neither creates nor controls the situation. It is his function to serve industry. The designing of a financial program must start with the designing by each enterprise itself of an operating and capital requirements program. The investment banker comes in as one who can give professional advice as to capital structure, and can do the specialized job of underwriting and distributing issues of securities.

Future of Air Transport Industry

So far, I have been talking about the manufacturers of airframes and engines. We now turn to consideration of the air transport companies, where we find, I think, a distinctly encouraging picture insofar as availability of new capital is concerned. Indeed, it may well be that funds expended by the air transport companies in the purchase of new equipment will serve in substantial part to finance the operations of aviation manufacturing.

One important domestic carrier has estimated that by 1948 passenger travel will be between three and four times present levels and five or six times pre-war 1940 levels; that air express volume will be seven times 1940 levels and about 60% above current volume; and that although passenger fares will continue to decline to about four or four and one-quarter cents by 1948, with the indicated volume of traffic, good earnings are nevertheless in prospect.

I feel that these estimates are by no means overly optimistic. It seems clear that air transport will require large amounts of capital in the post-war period for physical expansion, meaning not only airplanes but also communications and ground facilities, etc. But before proceeding to discuss methods of finance, let us see what the air transport picture is now.

In manner similar to that used in respect to the manufacturing industry, I have had prepared the composite 1943 balance sheets and income accounts of eight major domestic airlines and of Pan American separately. Here are the high spots of these composite figures for the eight domestic lines and for Pan American separately. Bear in mind that the figures do not cover the entire air transport industry.

Net current assets of $68,000,000. Current ratio of 1.6. Inventories less than $5,000,000. The corresponding figures for Pan American by itself are: Net current assets, $15,000,000; and current ratio of 1.6, this being the same as for the eight domestic companies.

Depreciation reserves aggregating $29,000,000, which is over 60% of gross property account. Net active property account of only $18,000,000, which is exclusive of investments in subsidiaries and special deposits. The corresponding figures for Pan American by itself show depreciation reserve of $15,000,000, which is about one-half of gross property account; net active property account of $16,000,000, which is likewise exclusive of special deposits.

The figures show practically an absence of funded debt or term borrowings, the only exception being a very small amount of equipment notes in respect to the domestic system and an item of $22,000,000 odd, representing special advances from the U. S. Government to Pan American.

The figures show an absence of publicly held debt obligation securities such as mortgages and debentures. The investment of the public in air transport is represented by stock, preferred and common, which is as I think it should be up to this point in the development of air transport.

The preponderance of common stock, as indicated by total proprietorship of the eight domestic companies in the amount of $100,000,000, of which only $17,000,000 is represented by preferred stock. Pan American has no preferred stock.

Combined net income for the eight domestic companies in 1943 in the amount of $14,000,000, after all taxes but before charges to surplus reserves, this profit being about 13% of 1943 operating revenues and about 17½% of average 1943 proprietorship. For Pan American alone net income in 1943 was nearly $2,000,000, which represents about 5% of 1943 operating revenues and about 5½% return on average 1943 proprietorship.

The figures indicate that air transport has been soundly financed, and to an overwhelming extent by stock. Depreciation charges have been liberal, and dividend policies conservative.

Current market quotations reflect distinctly greater optimism as to the future of air transport than as to the future of aviation manufacturing. Current quotations indicate that the eight domestic companies are selling on the market at about twice their 1943 proprietorship, and about 14 times their 1943 net income before charges to surplus reserves. Similar figures for Pan American indicate that the market appraises its equity at 1¾ times 1943 proprietorship and 33 times its 1943 net income.

I cannot estimate the amount of capital which will be required by air transport in any assumed postwar period. But I am satisfied that air transport will use very substantial amounts of capital which will probably be enormous in amount in comparison with the past. And I see no occasion to doubt that it will be obtained. Again with all reservations in respect to guessing as to the future I would say—

Substantial amounts of capital will be obtained by air transport *internally*, i.e., from profits "plowed back" into the business. And added amounts of new capital will be obtained from outside sources through issuance and sale of common stock, convertible preferred, straight preferred, and some suitable form of what might be termed an "equipment trust" instrument.

It has been up to this time almost an obsession with me that air transport should be financed primarily through the issuance and sale of stock, common or preferred, or both. This conviction was founded on the pioneering and developmental character of air transport operations up to this point. But I think the time has come when air transport should and will graduate, step-by-step, into the issuance of senior securities, always — I hope — on a sound and conservative basis. United Air Lines, American, and Pennsylvania Central have already issued convertible preferred. American is now in the process of asking its stockholders for authority to issue up to $20,000,000 of preferred. The natural general pattern of evolution will be — I think — from common stock to convertible preferred, then to straight preferred, then to debt obligations.

For many years the railroads have financed a substantial part of the cost of cars and locomotives through so-called equipment trust borrowing. Such borrowings have been at relatively low rates of interest. And the record from the standpoint of the lender has been distinctly good; generally speaking, equipment trust certificates "ride through" a railroad reorganization wherein some of the mortgage bondholders may be required to step down and take income bonds, and preferred or common stock.

I have not yet seen an entirely satisfactory instrument for equipment trust financing of airplanes. Pan American has more or less experimented with this form of borrowing on a small scale. I believe that the general "earmarks" of a suitable instrument for equipment trust financing by air transport companies will be of the revolving fund character with a suitable open end so as to permit the use of the same instrument from time to time as additional equipment is acquired. Admittedly, there are some rather difficult problems to overcome in designing such an instrument; but I am satisfied that they will be overcome, and that this form of borrowing will enable air transport companies to raise substantial amounts of capital at favorable interest rates. If the general pattern of conservatism of air transport finance in past years is carried into the future—as I hope and expect it will—such borrowing will be done on a sound basis and gradually establish air transport on a high credit basis among institutional and other lenders.

In 1928, as I well remember, it was a hard job to get the stocks of Boeing Airplane & Transport listed on the New York Stock Exchange. The experiences of that period also remind me that in 1928, when I returned to New York after completing the initial public financing of the Boeing companies, I met a friend who happens to be a distinguished corporation lawyer and whose life work has been largely the writing of railroad mortgages. In our talk at that time he chided me in regard to the transport part of the Boeing picture, by asking in all seriousness that I tell him, "What is an air line?" I do not remember my answer, but I do know that it was not an easy question to answer in the light of that time. If asked the question in February, 1934, I guess my answer would have been "zero zero." Happily, however, the weather report for air transport now is CAVU—ceiling and visibility unlimited.

Greatly to the credit of air transport and manufacturing is their consistently sound and conservative bookkeeping practice. There is a general absence of practices which have been—rightly or wrongly—criticized in respect to utilities and railroads. Aviation has followed a policy of liberal depreciation. Airplanes which have been written down to an asset value of $1 on the books of the operating company are flying and carrying passengers and mails.

While I am on the subject of bookkeeping and depreciation, let me say that in my judgment it would be sound practice for the United States Treasury Department to permit industry to depreciate assets as rapidly as desired, provided only that charges are made at uniform rates throughout the period during which depreciation is charged off. The policy which the United States Treasury Department has followed in regard to taxation has not always been of advantage to the Government. In the last several years tax rates have gone up sharply. In the early 30s, the Treasury Department insisted that certain write-offs and depreciation charges be "lengthened out," presumably so as to enable Uncle Sam to collect as great a tax as possible in the then current year. As a result, various companies have been able to charge off more than would otherwise be the case against the higher taxes of recent years. The national economy is, in my opinion, adversely affected by Governmental restriction as to the rapidity of depreciation write-off by industry.

The public has not yet been fully informed of the tremendous strides made by aviation in fighting the war and in conquering oceans and continents. I ask you where we would now be in this war without the aviation industry which was built up prior to this war by private enterprise and private venture capital? Those identified with aviation have every right to be proud of the great heritage which they developed and hold in trust for the United Nations to fight Germany and Japan. With such a glorious past, I am sure that whatever may be its vicissitudes from here on, aviation has a great future ahead.

At the graduation exercises of the Class of 1912, Dean Smith—"Uncle Pete," as we called him—told us that we should not be so much concerned as to where we *are*, as to where we *are going*. I am certain that aviation is going places and will do things in the post-war period. I hope and think that investment banking will help.

Uneconomic Compulsions of Corporate Taxation

(Continued from first page)

the things with which wars are won can't do without him. Today's indispensable man is the accountant. I am glad to be in the company of 1,000 indispensable men.

You have asked me to talk to you today about the "Uneconomic Compulsions of Corporate Taxation," which has to do with the effects of taxes upon business motivations. This is an indication of your concern with more than the routine details of tax compliance; it is a promising sign of your interest in the what and why of tax policy.

With the income tax to the right of them, the excess profits tax to the left of them, the capital stock tax in front of them, and the declared value excess profits tax behind them, corporations are driven these days to do things they would not do but for particular provisions of tax law. What they do may be good or bad, wise or unwise, economic or uneconomic. I shall concentrate on the last variety. I stand in the role of district attorney. The corporate tax system is the defendant. I hope it may find counsel among you.

Pension Trusts

The pension trust provision[1] is an obvious example of uneconomic compulsion. Several thousand pension plans have been submitted to the Bureau of Internal Revenue for approval. Most of them were adopted in 1941 and 1942. During the war three or four times as many plans have been adopted as in the 40 years before.

We all know that older executives present a serious retirement problem for corporations. They are often kept in harness long after they have outlived their usefulness, though this may not happen so frequently now that taxes are on a pay-as-you-go basis. The executives think they cannot afford to retire, and their corporate employers will not put them out to pasture. There is more mercy in our corporations than some people suppose.

But it would be fatuous to assume that the recent stepping up of pension plan production is due to corporate business necessity; their chief cost is concentrated in benefits for the older high-salaried officers and employees. Many of the plans now being adopted would not be considered but for the tax benefit involved. And this benefit accrues not primarily to the corporation itself, but mostly to the officers and employees. The water is fine and everyone is going swimming. Later, when—or if—tax rates go down and the government stops paying most of the cost, curfew will ring and the fun will be over. But everyone is having a wonderful time as long as the party lasts. The test of a pension plan as a business proposition, as distinguished from a tax avoidance device, will come after the war. In most cases it will be fair to infer that the plans which are terminated were not adopted for business reasons, but in response to an uneconomic compulsion of our tax law.

Stock Options

Somewhat analogous to the pension trust situations is the compulsion upon corporations to reward high-priced executives with stock options rather than cash compensation. Here high individual tax rates and the relatively low capital-gain rate combine to motivate business decisions. The technique is fairly simple. The corporation which would ordinarily pay a substantial salary to an able executive makes instead a contract under which the executive is given an option to buy the company stock over a period of several years at a stated price; this price may be below value at the date of the agreement. The executive is playing the market for a rise, to which he may expect his services to contribute. If there is an increase in the value of the stock, he will exercise the option, buy the stock at the low price, hold it for the capital-gain period of six months, and then sell. He hopes there will be no tax upon compensation when he exercises the option, but only the 25% capital-gain tax when he sells the stock.

It will serve no purpose to review the case law on this subject[2] since a recent decision of the Ninth Circuit[3] is on its way to the Supreme Court and should be decided early in 1945. But it is doubtful whether there can be any such royal road to tax avoidance as some corporate executives hope. That, however, is not the question before this meeting. I am approaching the subject from the standpoint of uneconomic compulsion. It can hardly be contended with a straight face that these option contracts are not predominantly motivated by tax considerations. But for taxes most corporate executives would prefer the conventional system of cash on the barrel head for services rendered. And from the viewpoint of the corporation and its stockholders many of the arrangements made reveal sales of stock at values far below those which could be secured by the corporation in the open financial market. In some cases the executives are getting bargains at the expense of their corporate employers.

Acquisitions to Avoid Income and Excess Profits Taxes

A new section[4] of the Internal Revenue Code is directed at another compulsion of our tax law. The compulsion derives from the relationship between the excess profits credit and the excess profits tax. A credit is worthless to a corporation with no excess profits. And profits are almost useless to a corporation with no excess profits credit. The result in many corporate quarters has been an irresistible urge to combine excess profits and excess profits credits even if the acquisitions and combinations necessary to do so are not *business*, but merely *tax*, propositions. It is not a natural economic development for a finance company in New York with a large unused excess profits credit to combine with a war-profitable bus company in Texas. The consolidations of the Twenties and Thirties were of more or less related businesses; even when an acquisition reached outside an industry, it had more economic sense to it than many of the business affiliations now being stimulated by tax-saving motives. Combinations of this sort may happen to work out well. But if they do, it will be because of some happy accident, and not because sound business judgment dictated the combination.

The Carry-Back Provisions

For another instance of uneconomic compulsion, we may look to the future. In the Revenue Act of 1942 Congress enacted the now famous carry-back provisions,[5] under which unused excess-profits credits and net operating losses may be carried back for two years. Under these provisions *all* taxpayers may deduct losses from income earned in the two years preceding the loss, and *excess-profits* taxpayers may reduce excess profits of the two preceding years by any deficiency of income below the excess-profits level.

These provisions have been criticized as being too liberal to business.[6] They reach in the direction of averaging income which is certainly a desirable objective.[7] But their major purpose was to provide a method of offsetting reconversion costs and losses against wartime income. They accomplish this purpose, I think, more satisfactorily than the specific reserve method, which at best would have been a poor alternative.

That question — whether the carry-back technique or the special reserve technique is more desirable—is now more or less academic. The question now of interest is whether the provisions will drive corporations to unnecessary spending after the war. Will corporate executives resist the pressure to spend heavily, say on experimental work or prestige advertising, on the theory that the Government pays most of the bill? Will profits normally attributable to the immediate post-war period be deferred to later years when it is hoped that corporate rates will be reduced? These questions will be in the minds of business executives. In some cases they will probably be answered on a tax, rather than a business, level.

I need not repeat at any length a warning I have frequently voiced about the carry-back provisions. If the compulsions I have mentioned are too strong for corporate executives, and the carry-backs are abused by practices of this kind, their life will be short and they may be much restricted, if not repealed. The provisions were not intended to reimburse business for losses not related to the war period, but rather to furnish a method of offsetting war losses and costs against war income. I hope that the human compulsion to extend the sphere of their use will not be too strong for business.

Unreasonable Corporate Accumulations

The compulsions I have mentioned are fairly clear examples of corporate behavior attributable to particular provisions of tax law. Some provisions are, however, not so definitely in the same category, though they are often loosely regarded as having a compelling influence. Section 102 of the Internal Revenue Code, dealing with corporations improperly accumulating surplus, is sometimes considered as an uneconomic compulsion. In this view the tax law intrudes upon the discretion of corporate directors with respect to the declaration of dividends.

If you will think of Section 102 in relation to the times in which we live, I think you will agree that there is little compulsion in it. It is true that the government has had some success recently in the courts.[8] But the rate of tax imposed by Section 102 (27½% of the undistributed net income on the undistributed net income on the first $100,000 and 38½% over $100,000) is not sufficient to require distribution of corporate profits where the stockholders are in the high personal tax brackets. Many corporations deliberately run the penalty risk on this cold-blooded basis.

Most important perhaps is the uncertainty of what lies ahead. The post-war world is a pig-in-a-poke to the American business man. Corporate profits for 1942 and 1943 reached all time highs even after our increased taxes. But dividend payments have not kept pace. Other factors operate, but to a considerable extent corporate management has discounted present earnings levels and has followed the conservative policy of accumulating reserves for post-war expansion and growth.[9] This shows, first, that Section 102 has not been a compelling influence and, second, it suggests that there may be many reasons in terms of the post-war economy for not distributing profits. It will be an unimaginative corporate executive who cannot find plausible business reasons for most accumulations of surplus in these chaotic times. There remains, as always, the mythical rainy day of the unpredictable future when taxpayers may go into a new business[10] in the manner of the White Knight, who kept a beehive on his horse because he might someday wish to keep bees.

Bond and Equity Financing

The provision allowing interest on indebtedness as a corporate deduction is often cited as an uneconomic compulsion.[11] Dividends are not deductible. The result is a double tax on dividend dollars —one on the corporation and the other on the individual stockholder. But interest dollars are

1 I. R. C., Sec. 165, as amended by 1942 Act, Sec. 162.

2 See Connelly's Estate v. Comm., 135 F (2d) 64 (CCA 6th 1943).

3 Smith v. Comm.,—F (2d)—(CCA 9th 1944). Certiorari has been granted.

4 Section 129, added by 1942 Act, Sec. 128.

5 1942 Act, Sec. 143. See Butters, J. Keith, "War Profits Taxation and Special Wartime Reserves," Harvard University, Graduate School of Business Administration, Business Research Studies, No. 30.

See also the following: Blough, Roy, "The Averaging of Income for Tax Purposes," Speech before the American Accounting Association, September 9, 1944; Paul, "Business Reserves for Reconversion," Speech before American Institute of Accountants, Oct. 21, 1943; Paul, "Tomorrow's Taxes," Washington Post, Aug. 20 and 22, 1944.

6 See "The Week in Finance," New York Herald-Tribune, Aug. 14, 1944.

7 Domar and Musgrave, "Proportional Income Taxation and Risk-Taking," Quarterly Journal of Economics, May 1944, p. 388.

8 Helvering v. National Grocery Co., 304 U. S. 282 (1938); Helvering v. Chicago Stock Yards Co., 318, U. S. 693 (1943).

9 Paul, "Tomorrow's Taxes," Washington Post, Aug. 19 and Aug. 20, 1944.

10 Cf. Comm. v. Cecil B. DeMille Productions, Inc., 90 F (2d) 12 (CCA 9th 1937) cert. den. 302 U. S. 713 (1937).

11 I. R. C., Sec. 23.

more favored. They feel the impact of only one tax, the tax on the bondholder.[12] This differentiation puts a premium upon borrowed capital. Equity capital has many advantages from the business standpoint. But against these advantages the corporate executive must balance the disadvantage of the extra corporate tax. And, other things being equal, he may well choose the more risky alternative of borrowing capital. He may make this choice knowing that he has made a questionable business decision. But he feels that the premium which the law places upon heavy debt does not permit a sound business decision.

One can easily be too dogmatic about this compulsion. Its effects may be carelessly overstated. Preferences for borrowed capital may be actuated by powerful business, as well as tax, considerations. It is true that the rigidity of debt contracts is a disadvantage, but the use of the bond method of financing has certain advantages. Capital is secured at low cost and dilution of the control of the management-ownership group is avoided. It is a question worth much further investigation whether in recent years reliance on bond financing has not been encouraged less by tax motives than by low interest rates and the control of an increasing share of investment funds by insurance companies and other institutions compelled by law and custom to favor investment in bonds.

Accelerated Depreciation

It is frequently urged that there is considerable compulsion in the depreciation and obsolescence policy of the Bureau of Internal Revenue. Groves, in "Production, Jobs and Taxes," recommends[13] "More latitude in the timing of deductions for depreciation and obsolescence of plant and equipment should be allowed. ..The calculation of these expenses involves so many variables and unknowns that no precise determination is possible. Less attention should be paid to the calendar year in accounting for income-tax purposes. This in itself would reduce the argument and litigation over the proper amounts of depreciation and obsolescence to be charged against the operations of any one period. Shortening the write-off period for these impairments of capital promotes economic progress by reducing resistance to the installation of improved equipment. Accelerated depreciation (as in the present 5-year amortization provision for certain war capital) could be used to promote investment during a depression, and, in extreme cases, its use for such purposes is recommended."

Some skepticism may be permitted about this recommendation. The revenue laws allow for the deduction of abandonment or retirement losses.[14] If there is wisdom in the suggestion, it derives from the fact that the privilege of deducting abandonment and retirement losses is of no value unless the taxpayer has sufficient income to absorb the deduction. The carry-back and carry-forward provisions accomplish a degree of averaging and make it more likely that a tax advantage can be obtained from the abandonment of facilities. Low depreciation rates may deter the acquisition of new facilities because of the uncertainty that income will be available throughout the depreciation period. Here again the carry-back and carry-forward provisions reduce the danger that full tax advantage may not be taken; our loss provisions are, however, limited and discriminatory.[15] Accelerated depreciation for tax purposes would further reduce this danger for corporations with good immediate prospects, but with unfavorable long-run prospects. And since for most corporations the distant future is a dark imponderable, rapid depreciation might generally reduce the deterrents to investment. Such a policy might operate, however, to the advantage of established corporations as compared with struggling new concerns. It must be remembered also that if corporations were required to adopt the same accounting methods in statements to stockholders as in their tax returns, rapid depreciation might so reduce apparent profits as to cause stockholders to regard expansion with disfavor.

12 See Groves, "Production, Jobs and Taxes," p. 25 (1944); see also Ruml, Beardsley, "Fiscal Policy and the Taxation of Business," Speech before American Bar Association, Sept. 11, 1944.

13 p. 3.

The Hon. J. L. Ilsley, Canadian Minister of Finance, in his Budget Speech of June 26, 1944, proposed to give the taxpayer greater latitude in charging depreciation on new investment undertaken after a date to be set by the Government. The taxpayer might vary the depreciation between a maximum of double the ordinary rates and a minimum of one-half the ordinary rates. The proposal has two-fold significance: First, it would allow the taxpayer to recover part of his capital whenever earnings were good; second, it would allow him, in respect of such new investment carried out in the early reconversion period, to transfer some of his income from a period when wartime tax rates may still be in effect to a later period when he may expect normal taxation to be lower.

14 See Mertens, **The Law of Federal Income Taxation**, § 28.17 (1942).

Of course, these losses are not allowable unless there is a sale or complete abandonment and scrapping. If the equipment is kept in reserve, there may be no retirement loss.

Disincorporation[16]

Disincorporation is sometimes said to be caused by our tax laws. Corporate rates are so high, it is argued, that many corporations are being dissolved and their business carried on in individual or partnership form. The allegation is applied particularly in connection with small business which, some people insist, bids fair to become an economic pariah.

I have no doubt that our wartime taxes are responsible for a considerable amount of disincorporation. The corporate form has its advantages, such as limited liability, legal and operative continuity, easy transfer of ownership and management, access to nation-wide sources of financing, and possibilities of intercorporate affiliations with or without integration of management.[17] But these advantages may not be worth what they cost in taxes. In a sense a compulsion is involved. But it hardly follows as the night the day that corporation taxes should be whittled down to a point where the advantage of incorporation exactly equals the price in taxes of this form of doing business. It is doubtful if great harm is done to our business structure by a swing to individuals and partnerships. The compulsion is certainly not demonstrably uneconomic in the sense that businessmen are forced by the tax laws to do unsound things. Their marginal freedom is somewhat hampered; that is all.

15 See p. 5.

16 The term "deincorporation" is sometimes employed.

The Effect of High Corporate Tax Rates

The favorite topic of some business masochists is the compulsion of high corporate rates. High corporate taxes were certainly a psychological necessity in wartime, but we are thinking today of the post-war tax world. On the operating level the charge is often made that high rates destroy economy incentives. High rates are said to increase production costs and induce waste. Management is said to have little inducement to oppose wage increases or increases in the prices of materials, because cost increases reduce profits after taxes so little that it is not worth the effort to keep them down. It is also maintained by some that high rates deter the introduction of new and more efficient techniques.

17 See Crocker v. Malley, 249 U. S. 223 (1919); Hecht v. Malley, 265 U. S. 144 (1924); Burk-Waggoner Oil Association v. Hopkins, 269 U. S. 110 (1925); Morrissey, et al., Trustee v. Comm., 296 U. S. 344 (1935). See also Colm, 34 Amer. Econ. Rev., Supplement, June, 1944.

I have no doubt that there has been considerable waste during the war period. But I wonder how much of that waste has been caused by high taxes and how much by high speed under inefficient management. Moreover, the business community has been fully aware that its fortunes were at stake in the war effort. It demonstrated that it could produce the maximum amount of war goods with the minimum use of labor and scarce materials. It has adopted new and more efficient methods of production as fast as they could be perfected. Furthermore, are most businessmen so short-sighted as those arguments imply? Throughout the war they must have had a weather eye cocked on the post-war period. It is not smart business to enter that period with distorted wage structures and inefficient production methods. For they will be competing not only for American markets, but also—as Ruml has indicated—for world markets. Looking at the matter from another angle, corporation taxes to some extent reduce demands for wage increases. If taxes did not recapture most of the excess profits, effective arguments could be made for high wages. It was harder to argue for wage increases where profits were being so completely absorbed in taxes.

Corporate Risk-Taking

Another argument of the masochists is on the investment level. It is that high tax rates destroy incentive and kill the desire to take risks. The emphasis has been on the reduction of investment yield by taxes. From this standpoint the contention is that lower taxes would leave more after taxes, thus increasing the reward of risk-taking. In other words, business men would be more inclined to go into perilous ventures if they could keep more when they won. To an extent this is undoubtedly true, though it is not a sure bet. Some business men might reduce their risk-taking if they would make a satisfactory profit without risk. Others would not be satisfied with any particular amount of profit and would go on being venturesome. The temperament of the business man would make a lot of difference. Higher profits would embolden some and deter others.

We have neglected the other side of this story. Taxes also reduce the degree of risk by making the Government a partner in losses. This may encourage risk-taking by consistently profitable corporations. This side of the story is not frequently told.[18] The income tax on the investor makes the Treasury his partner. The partnership agreement is expressed in the rate and loss provisions of the statute. The Treasury always shares in gains, but not completely in losses, since the provisions for loss offset are limited. If they were complete, and part of the investor's loss were always absorbed in a reduced tax bill, the investor's private risk would be reduced by the same percentage and risk-taking would not become less attractive. However, the investor's income would be reduced. To make up the difference he might take more risk by reducing his cash position and increasing his investment or by switching from less to more risky investments. Of course, increased risk-taking is good for the economy except in boom times.

The extent to which investors may use the limited loss provisions of existing law depends primarily upon the availability of

18 See Lerner, "Functional Finance and the Public Debt," Social Research, February, 1943, p. 45; Domar and Musgrave, "Proportional Income Taxation and Risk-Taking," Quarterly Journal of Economics, May, 1944, p. 388; O'Neil, "Do High Corporate Taxes Deter Investment?", Harv. Bus. Rev., June, 1944; Simons, **Personal Income Taxation**, p. 21 (1938); **Facing the Tax Problem**, p. 292 (1937); Bowman and Bail, **Economic Analysis and Public Policy**, p. 768 (1943); Butters and Lintner, "Effect of Federal Taxes on Growing Enterprises," Study No. 1, Lockheed Aircraft Corp. (Harvard Business School, Division of Research, 1944).

(Continued on page 1937)

Problems of Investment In a Regulated Market

(Continued from first page)

complish is to minimize a few of those problems. It cannot eliminate any of them, and it cannot even touch most of them.

Securities markets are simply places where buyers and sellers meet. The transactions which take place on our securities market are useful not only to the buyer and seller but in toto provide all of the rest of us with a kind of economic barometer or thermometer of enormous value to those who know how to use it. The point is that the securities markets *are* in theory, and always should be in fact, effects and not causes, and further that regulation of those markets, like regulation of a barometer or thermometer, has one—and only one—proper objective. That objective, for the thermometer and the stock market alike, is to make it work. No one in his right mind expects to minimize fluctuations in temperature by regulating a thermometer. It would be just as foolish to expect stock market regulation to minimize security price fluctuations. Yet most investors, if they could be granted just one wish, would ask for the quotation pages of next year's "Commercial & Financial Chronicle," because "buying cheap and selling dear" is the ultimate goal of all their research and analysis.

The act to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mail became a law on June 6, 1934. The Securities and Exchange Commission was organized July 2, 1934. "Sudden and unreasonable fluctuations in the prices of securities" were cited in the law in explanation of the "necessity for regulation." On the day the SEC was organized the Dow-Jones average of 30 leading industrial common stocks closed at 94.80. Thirty-two months later the average price of those same stocks had more than doubled. From their 1937 high those same stocks then dropped almost 100 points in a single year, returning to within less than 3 points of where they had been when the SEC came into being. Less than nine months after the market hit bottom in 1938, the same Dow-Jones industrial average had rebounded 60 points. In May, 1940, when France fell, the average price of those same stocks nose-dived 38 points in ten market days, and by the spring of 1942 the average was lower than it had been when the SEC was organized.

Fluctuations in the average prices of railroad and utility common stocks in this decade of regulated markets have been no less exhilarating. Twenty leading railroad stocks dropped nearly 40% in price in the first nine months of the SEC, then rose 140% in the next two years only to drop nearly 70% in the third year. The Dow-Jones utility stock average at its 1942 low was less than half the figure at which it stood when the SEC was organized, but is already up more than 100%. The peak price reached by the utility average in 1937 was about three and one-half times its 1942 low. Some people might call such fluctuations in the prices of securities "sudden and unreasonable," to quote the law creating the SEC. If they lost money in the stock market as the result of such fluctuations in security prices they might even say there ought to be a law.

I do not cite the figures to deprecate the SEC or its work. If that were my purpose I could present much more interesting figures, relating to price fluctuations in certain special groups of securities, such as defaulted railroad bonds and low-priced common stocks, which have outrun the leading stock averages by several hundred percent. My intent is simply to show that the SEC has nothing whatever to do with most problems of investment, and that the wide and erratic price fluctuations which have occurred in the first ten years of the SEC are probably not very much greater or smaller than they would have been if the Commission never had been created.

Please do not misunderstand me. I am not saying that the SEC has accomplished nothing, or that the SEC is of no value to the investor. Insofar as regulation confines itself to the elimination of wrongs its effects are bound to be beneficial. The benefits will be in proportion to the seriousness of the wrongs eliminated. Most of us heard Judge Healy's temperate and good-humored review of ten years of the SEC in this room two weeks ago. It would be hard for anyone to disagree with most of what he said. No honest man could oppose legislation and regulation to insure, insofar as possible, that investors get from the companies in which the public is interested the truth, the whole truth and nothing but the truth. The more the SEC can do for us in that direction the happier investors and their advisers will be. There is a difference, of course, between giving us a drink and drowning us, as Judge Healy recognized when he deplored the excessive length of prospectuses. As a practical matter for the average investor, too much information is as dangerous as not enough. Sometimes I think the country might benefit if the SEC would adopt, as the gauge of the information it requires, the irreverent slogan of our own Research Department. Our motto is "So what?", and its practical application is that we simply are not interested in information which does not have a demonstrable relation to security values.

Progress made by the SEC toward eliminating manipulation of securities likewise should be applauded by all investors, and doubtless is. Actually, however, elimination of manipulation benefits **not** the investor but the speculator, and particularly the unsophisticated speculator. The true investor buys securities because he thinks they are undervalued on the basis of the facts at his disposal. A pool-manipulated advance in the price will not hurt such an investor because unlike certain species of fish which will snap at anything that moves, he buys bargains. Stocks are attractive to him because of what he believes they will be worth in the future rather than because of the speed with which they have advanced in the past. Without going further into the technical aspects of security market regulation I believe there is overwhelming approval in Wall Street as well as out of it for the Pure-Food-and-Drug-Act type of regulation in securities markets as well as in other lines of business.

If regulation has made our stock market barometer work worse than before in any respect, I suspect that it is because of deviation from the principle that regulation should be confined to eliminating wrongs. To use an illustration foreign to most of us now but very much in the news a dozen years ago, there never was any objection to requiring that bottles containing alcoholic beverages be properly labeled. Popular opposition arose when the government went beyond insisting on properly labeling and taxing such merchandise, and tried to forbid its use. Some of the substitutes which became popular at that time were worse than the forbidden original.

In some ways I suspect that our present day margin rules operate contrary to the public interest for the same reason that prohibition did. In theory they are perfectly sound. They remind me of the bull-headed automobile driver who kept going because he had the right of way. As his friends remarked at the funeral, "He was right, absolutely right, but he is just as dead as though he had been wrong." We have been told that the use of credit is covered by rules the SEC doesn't like, rules written by the Federal Reserve Board. I do not know just why the SEC does not like those rules. I suspect that they have a considerable tendency to drive speculation into low-priced stocks, which generally speaking, represent marginal companies. In stating that as a suspicion rather than a fact I am thinking not only of other possible explanations of the emphasis on low-priced stocks but of a remark made to me by Mr. Francis I. du Pont in my early days in this business. Mr. du Pont, who founded the research department for the E. I. du Pont Company, expressed himself in terms of the chemical industry, to which he contributed so greatly. "The trouble with you statisticians and economists," he said, "is that you always are working with dirty test tubes." He meant, of course, that it is practically impossible for us in the securities business to isolate any single factor to see what are its results. It is easy to jump to conclusions, and apply the wrong remedy, as Rastus discovered when he developed a bad limp in one leg. The first friend who observed Rastus' difficulty advised him to have his tonsils removed. That was done but the limp persisted. A second friend advised Rastus to have his teeth pulled. That was done but still no improvement. A third friend counseled removal of Rastus' appendix. That was done. Still the limp persisted. Then one day all three saw Rastus prancing down the street, apparently as good as new.

"Ah!" said the first adviser, "it was the tonsils."

"No," said Rastus, "not that."

"Well," said the second adviser, "it must have been the teeth."

"No," Rastus replied, "not them either."

"Taking out the appendix did the trick then," said the third, but Rastus shook his head.

"Nope," he said, "Nail in my shoe."

With the full realization that the relative increase in trading in low-priced stocks may have been due to a nail in the shoe and not to margin rules, I think it is interesting to call attention to a rather pronounced trend toward the low-priced issues. The SEC was organized in 1934. In the three years preceding its organization, trading in thirty leading industrial common stocks ranged most of the time between 15% and 35% of the trading in all stocks. In 1935, trading in those thirty leading shares, on a two-week average basis, fell below 10% of the total trading in all stocks for the first time in our records. In 1936 trading in those thirty leading shares fell below 6% for a short time. In 1938 turnover in the group increased sharply, averaging above 15% most of the year, but by 1943 it had fallen below 5%. Not long ago it touched 4%. In the old days when American Telephone or General Motors could be carried on 10 points margin there was a chance for the person who wanted to speculate to double his money by buying American Telephone or General Motors at the right time and waiting for them to advance 10 points. Today he must put up 40% of the purchase price, which on a high-priced stock like American Telephone means more than $60 a share margin. His chances of doubling his money in a short time by such a speculation are almost nil. So he buys outright a stock selling for somewhere between $1 and $5 a share, and if he is right on the market, and if the company stays in business, he may double or triple his money in a few months. Such stocks may represent as little as the last 10% of the value of the company of which they are the equity. The speculator buying them is operating in effect on 10% margin with the added advantage that he cannot be "called" for more in event of a decline in the price of his pet. I am not arguing that such speculation is good or bad. I am merely pointing out that subsequent to the introduction of higher margin requirements there has been a pronounced and long continued trend away from trading in leading shares toward trading low-priced stocks, and raising the question whether the public is the gainer thereby.

Another piece of regulation of somewhat doubtful value, in my opinion, is that dealing with trading by so-called "insiders." In my opinion, no attempt should be made to prohibit such trading. After all, the market should reflect as completely as possible the best-posted buying and selling. The intent of the law to prevent insiders from taking unfair advantage of their position could be served, it seems to me, by amending the law in such a way as to remove all penalties or possible penalties on "insiders" trading, but to require them to report any transaction in the stocks of their companies to the SEC *and to the public* within, say 48 hours after each such trade is consummated. The law now calls for such reports to be made to the SEC within ten days after the close of the calendar month in which the trade takes place, and the SEC can go no farther. In practice this has meant that sales of securities early in September of 1937, when the stock market was still above 165 in the Dow-Jones industrial average were not made known to the public till well along in October, by which time most of the big 1937 decline in the market was over.

The net of regulation of the market to date, it seems to me, is that the investor is less likely to be victimized than before, but is no less in danger of losing his shirt if he fails to solve those problems of investment which are fundamental in any market, regulated or otherwise.

Basic Problems of Investment

What are the problems of investment? They are the problems of life itself. War and peace, invention and obsolescence, immaturity and senility, sickness and health, hope and fear—those are a few of the basic problems of investment. It is only necessary to name them to show how helpless regulation of the market is to cope with them.

There is another type of regulation, however, which has a great deal to do with the problems of investment. That is regulation of factors making markets. In this category are taxes, and particularly capital gains and excess profits taxes, our Government's easy money policy, the OPA and its regulations, the WPB, the War Labor Board, and renegotiation. Regulation of this type enormously complicates the problems of investment. It is difficult to sift and weigh the many favorable and unfavorable factors in any prospective investment, even when economic forces have relatively free play. But the investor now not only has to do that but must attempt to guess the mental processes of certain individuals or boards temporarily armed with power to make decisions having the most important consequences on the companies in whose securities he is contemplating risking his money. To cite an extreme example, outside the field of securities but very much in the field of investment, a man I know bought a commodity as an investment before the outbreak of the war. The Government fixed the price, kept it there for several years, then just recently, without warning, raised it by more than 50% and that at a time when the commodity was selling in the world market at double our new Government price. The point is not that the price was unjustified or is now unjustified, but simply that it is 100% unpredictable. Insofar as the companies whose securities compose our investment market are subject to such regulation, the problems of investment are insolvable.

Knowledge of Securities Market Essential

Much of the disrepute into which the securities markets and the investment business fell following the 1929 stock market crash was due, in my opinion, to a failure to educate the public both as to the nature of securities markets and to a clear understanding of what is involved in making an investment. Securities markets, regulated or otherwise, are simply convenient and orderly places for buyers and sellers to transact business. If they are properly run they are no more to blame for advances or declines in the prices of securities than is the fish market to be praised or blamed for the supply and price of fish. Even less generally understood is the sharp distinction between the two main categories into which all investment must be divided. In the first category is the investment in which the investor simply hires out his money in as nearly absolute safety as possible, at going wages for money. Many institutions invest that way. Comparatively few individuals do. You are such an investor if you buy a security after assuring yourself that the interest and principal will be paid when due, and if you hold that security to maturity without giving another thought to its market price fluctuations meantime. The purchase of a United States Government war savings bond is an investment of that sort. There is no reasonable doubt that the purchaser of any United States Government obligation will receive interest and principal when due. The investor purchasing corporate securities with similar objectives in mind studies first his margins of safety in all directions. Instead of shopping for high yields he hunts for safety and accepts the return which the market affords. The important point, however, is that the investor in this category need never concern himself with what other investors are doing or thinking at the same time. He contracts to hire out his money for a specified length of time at a specified rate of interest, and the fact that others are doing the same thing at the same time has no bearing on the success or failure of his investment. In that field the public has a right to expect the same type of performance from professionals in the field of investment as it has come to expect from engineers, for example.

Speculation and Investment

Many of our troubles in the securities business, and much of our grief as investors, have arisen out of failure to appreciate that the second great category in the field of investment—that which has to do with buying for appreciation—is something quite different from the first. To the extent that the investor in this second category hopes to buy before prices go up and to sell before prices go down, he hopes to win in an activity in which approximately half of the money participating must lose. Unlike the first category, this second field of investment is basically, fundamentally competitive. It differs from the first category the way engineering differs from trial law. If you hire an engineer to build ten bridges you rightfully expect all ten to stand up. You can't expect a trial lawyer to win every case because in a trial someone must win and someone must lose. To make money in the stock market or in speculative bonds by catching market swings, either short-term or cyclical, or by switching from one stock or group of stocks to another, you must buy something from someone who should not be selling, and you must sell something to someone who should not be buying. This hard-boiled rule applies whether you are a long-term investor who buys in 1921 and sells in 1929, or whether you are an in-and-out trader who buys on Monday and sells on Tuesday. The inescapable fact in this type of investment is that someone must always be wrong, someone must always be on the losing end.

SEC Statistical Data Valuable

Generally speaking, I think we are a nation of good sports. When we realize our risks, we take them with our eyes open. We abide by the result without blaming anyone else. It seems to me vitally important to the future of the investment business and the well-being of the free enterprise system that those who do not buy securities to put them away should realize that as in the game of musical chairs some one always has to be last. Once you recognize that principle as being not simply a speculative point of view toward the revered institution of investing, but a fact as inescapable as gravity, you are ready to approach the problems of investment along sufficiently realistic lines to appreciate that corporate and industry statistics alone are not enough. You need to know not only the facts about the company and industry in which you are contemplating investing, but to get as much guidance as possible about how far those facts have been appreciated and discounted by other investors and potential investors. In this field some of the information made available to us for the first time by the SEC has been decidedly helpful. I refer to the figures on odd-lot trading, particularly those having to do with short-selling by odd-lotters. If, as I have stated, buying securities for appreciation involves outwitting someone else who has the same objective but not as good judgment as your own, one of the tools in the business is to discover what is being done by the people who have shown the poorest judgment in the past. One of our approaches to this problem was to ask ourselves where we should expect to find the poorest judgment on the stock market. We turned to the odd-lotters, the people who buy less than 100 shares at a time, because good judgment soon results in acquisition of enough money to make trading in round lots feasible. But we found that many persons with good judgment bought securities in odd lots to obtain the greater diversification possible that way. Carrying our research one step further we turned to short sales by odd-lotters on the theory that short-selling, generally speaking, is done by speculators, and not by investors seeking to diversify their transactions. Going on from that point we related the volume of odd-lot short sales to the trading in the whole market. No such study is a short cut to riches, but with surprising and somewhat pathetic regularity we found that extreme bearishness on the part of the little short-sellers, as reflected in a big increase in their activity compared with the volume of trading in the market as a whole, was an excellent sign of an imminent rally in prices and vice versa. Similar studies of the volume of short-selling in round lots (100 shares and multiples thereof) also have proved helpful in recognizing major turning points in the stock market.

I hope that I have not given you the impression that I am cynical or pessimistic about the problems of investment. All I am trying to do is to argue against grizzly-bear thinking. You remember the story of the bear who got one foot in a trap attached to a huge log by a chain too strong to break. The bear thrashed around furiously for a while, broke his teeth trying to bite through the chain. Finally, exhausted, he lay down to think the situation over. While he panted a great idea dawned in his little brain. Rising cautiously he scraped dirt and leaves over the chain binding him to the log until he had it all covered up. Then he turned and, as the story goes, ran like hell.

As investors we are bound by certain chains of fact, the facts of life, which no amount of recrimination or regulation can eliminate. Life itself is an uncertain business, so much so that it seems morbid to emphasize security too much. We are making progress. We are learning by our mistakes. Clear thinking, good will and a sympathetic appreciation that more mistakes are of the head than of the heart will help us to keep security price fluctuations and hence our investment problems within tolerable limits. They can never be eliminated. That is bad news, I know, but most of us have had a lot of fun even since learning there was no Santa Claus.

Uneconomic Compulsions of Corporate Taxation

(Continued on page 1935)

other income. Obviously the positions of taxpayers differ widely in this respect. There are discriminations between large and small corporations; large corporations are more likely to have other available income against which to offset loss. The same thing is true of large-scale financial investors. The loss carry-back provisions give a greater certainty of loss offset to old corporations with past net income than to new corporations with no past net income. Inequities of this type increase economic concentration and tend to lower the volume of new investment. The answer to the problem of increased risk-taking may, therefore, be in an improved method of loss offset as well as lower rates. Here improvement lies in the direction of averaging income over the years, in the extension of the carry-forward period for losses, in a less discriminatory treatment of capital gains and losses, and perhaps also in a more flexible depreciation policy.[19]

We have here considered uneconomic compulsions that might result from the corporation tax. Some of these compulsions are, of course, undesirable and we must improve the tax law as much as possible to minimize them. However, we must not lose sight of the fact that in broad economic terms some of these compulsions are of relatively minor importance. Others — such as possible effects on investment—may well be of major importance. But taxes, like grocery bills, are unavoidable. And to some extent, all taxes may create uneconomic compulsions of one sort or another. In considering the place of the corporation income tax in the post-war tax structure, let us not be too certain that the uneconomic compulsions which this tax may create will necessarily be any worse than those of other taxes which might take its place if the corporation tax were drastically slashed. You accountants are well aware that what business men are interested in is profits *net* of tax—an item which is equally sensitive to changes in net income *before* taxes as to the income tax itself. Thus business men have reason to concern themselves not only with taxes on their profits but also with other taxes, such as excise or payroll taxes which may have a direct and powerful effect on the markets for their goods and services.

Conclusion

The subject of corporate compulsions—at least from the standpoint of risk-taking—flies off in all directions. It encompasses so much more than its technical aspects that I can only suggest avenues of thought. I do not know exactly where those avenues may lead. But I doubt whether the most dogmatic of your advisers can prognosticate the precise effects of their glib remedies. We are all groping in the dark and only a few of us are doing any whistling.

We need to know so much more than we know at present. We need to know more about what makes the business man tick, which even he only vaguely knows. A little knowledge of one's self is a dangerous thing. Taxes will be only one—and perhaps not the most powerful—of the many compulsions that will operate in the post-war business world. The formula for a dynamic industrial system is not discoverable by taxes alone.

When a realist adopts a tax measure to remove an uneconomic compulsion, or to produce an economic compulsion, in the corporate tax structure, he wants to be reasonably certain that the end product will live up to its advertiser's claims. When he is told about electrified corporate executives rushing hither and yon in a frenzy of business expansion, he wants more than a pious hope that such fancy will become fact. He likes causal relations. He wants to know more than he now knows about why and when business men take risks. He wants to know more than he now knows about the many conflicting forces which will be operating in the post-war world. He wants to know more than he now can know about the part taxes can play, in competition and in cooperation with other forces, in the new world in which he will live after the war.

19 A less orthodox alternative has been suggested by Domar and Musgrave in the article cited in note 7.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

John Durant, member of the Exchange, retires from partnership in McKelvy & Co., effective today.

Alfred V. Smith retired from partnership in Brady & Garvin on October 31st.

Attractive Investment

The Public National Bank and Trust Company of New York offers an attractive investment, according to a memorandum on the Sept. 30th, 1944 statement of the bank, which is being distributed by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The outstanding feature of the Government bond market last week was the decline in the partially exempt issues, some of which made new lows for the year, with losses of almost one-quarter of a point being shown in the longer term maturities. . . . As has been the case in the past, volume was light, with the dealers pretty much on the sidelines, and in an order market such as this one is, quotations were marked down, rather than having been forced down by the pressure of volume. Tax uncertainties again were indicated to have been the principal reason for the decline in the prices of these securities, although it is reported that the insurance companies and savings banks have been sellers of some of these issues in preparation for the Sixth War Loan. . . .

There appears to be considerable confusion concerning future taxes, and it seems as though the various tax proposals that have been submitted have done much to create this situation. . . .

It is indicated in informed financial circles that a very realistic attitude toward future taxes must be taken at this time, particularly with reference to corporate taxes. . . . Considerable has been said and written about the complete elimination of corporate income taxes after the war is over, which is very desirable, but the important question is whether this is likely to become an actuality in the future. . . . It has been pointed out that with the ending of the war, and a national debt of about $300,000,000,000 and a debt service of $6,000,000,000, can we afford to have a drastic reduction in taxes. . . . It is believed that there will be some decrease in taxes, but it seems as though too much emphasis is being placed upon radical changes in taxes. . . . It is evident that with the coming of peace, we have the following conditions to face:

(a) A drastic reduction in taxes without balancing the budget;
(b) A moderate reduction in taxes and a balanced budget;
(c) A less moderate reduction in taxes, with a balanced budget and a reduction in debt.

BALANCED BUDGET AND DEBT RETIREMENT

With a very large debt, it is emphasized that we must have a balanced budget, and the balancing of the budget is as important as the tax problem. . . . We cannot afford to have confidence in our financial structure impaired, and that calls for a balanced budget and debt retirement as soon as possible. . . . Accordingly, we should not expect that post-war taxes will be reduced as drastically as many people seem to believe, since revenues must be large enough to provide for a minimum budget of at least $18,000,000,000. . . .

With reference to corporate taxes it was stated, in view of our needs for a balanced budget and debt retirement, there appears to be little likelihood that these taxes will be as sharply reduced as many hope, with their complete elimination apparently out of the question. . . .

While the elimination of corporation taxes is admittedly very desirable, it does not seem to be politically feasible. . . . It must be remembered that corporations do not vote, whereas individuals do, so it was pointed out, would the elimination of corporation taxes, or the reduction in individual taxes, be the most likely to happen from the political angle, which will still be important in forming future taxes. . . .

FUTURE TAX PATTERN?

It was reported that among tax-conscious people the pattern of future taxes is expected to be somewhat as follows:

(a) Practically no change in taxes from the time the war ends in Europe to the ending of the war with Japan. Excess profits taxes to change very little during this period if at all;

(b) With the complete ending of the war, a gradual reduction in excess profits taxes, and its eventual repeal;

(c) Corporation taxes to remain at the 40% level for a considerable period;

(d) Individual exemptions increased and a moderate reduction in taxes in the lower and higher income groups, with very minor changes in rates in the middle income brackets.

Based on the assumption that corporate taxes will still be with us when the war is over, and with excess profits taxes repealed, and a corporation tax rate of 40%, which is the same as it is today, a comparison of the partially exempt obligations with the taxable issues shows the following:

PARTIALLY TAX-EXEMPT SECURITIES		Recent Price	Yield to call Date	Tax Free Yield	TAXABLE SECURITIES			Recent Price	Yield to call Date	Tax Free Yield
2¾	9-15-1945-47	102.2	.39	.33	⅞%	ctfs.	9-1-1945	100.079	.78	.47
2½	12-15-1945	102.14	.33	.28	¾%	notes	12-15-1945	100.0	.75	.45
3¾	3-15-1946-56	104.7	.66	.55	1%	notes	3-15-1946	100.5	.89	.53
3	6-15-1946-48	103.25	.65	.55						
3⅛	6-15-1946-49	103.31	.67	.56						
4¼	10-15-1947-52	110.1	.81	.68	1½%	notes	9-15-1947	100.27	1.20	.72
2	12-15-1947	103.27	.75	.63						
2¾	3-15-1948-51	106.0	.95	.80	1¾		6-15-1948	101.14	1.34	.80
2½	9-15-1948	106.2	.91	.76	1½%	notes	9-15-1948	100.20	1.33	.80
2%	12-15-1948-50	104.13	.91	.76						
3⅛	12-15-1949-52	109.29	1.13	.95	2%		12-15-1949-51	101.21	1.66	1.00
2½	12-15-1949-53	106.14	1.20	1.01						
2½	9-15-1950-52	106.28	1.28	1.08	2%		9-15-1950-52	101.6	1.78	1.07
2¾	6-15-1951-54	108.21	1.37	1.15						
3	9-15-1951-55	110.12	1.41	1.18	2%		9-15-1951-53	100.21	1.90	1.14
2¼	12-15-1951-53	106.1	1.36	1.14	2%		12-15-1951-55	100.22	1.90	1.14
2	6-15-1953-55	104.27	1.40	1.18						
2¼	6-15-1954-56	106.20	1.50	1.26						
2⅞	3-15-1955-60	111.17	1.66	1.39						
2¾	9-15-1956-59	111.0	1.72	1.44	2¼		9-15-1956-59	100.18	2.19	1.31
2¾	6-15-1958-63	111.0	1.83	1.54						
2¾	12-15-1960-65	111.6	1.93	1.62	2½		9-15-1967-72	100.14	2.47	1.48

COMPARATIVE ADVANTAGES

The 1945 maturity of taxable issues give a larger return after taxes than the partially exempt issues callable in that year, and for an institution not in need of tax protection the taxable obligations are more desirable. . . . However, the partially exempt issues, although showing a lower return after taxes than the taxable issues, have advantages to those who need tax shelter, since they afford benefits to those institutions that will be in the excess profits brackets in 1945. . . . It is quite probable that there will be very little change in this type of tax during the coming year, unless Japan should capitulate very abruptly in 1945. . . .

(Continued on page 1944)

Employment as Affected By Imports and Tariff Policy

(Continued from page 1914)

it destroys employment in protected industry and is thus not either very harmful or very helpful to net employment here but about neutral. From the economic standpoint there is no magic about an international boundary line which makes competition from cheap Ontario labor either more or less harmful to employment in Michigan than from cheap Indiana labor, or which makes tariffs against British cotton goods more helpful to Massachusetts than tariffs against those from Carolina. These are broad propositions, however, and have qualifications which need examination in detail.

Complete detail, unfortunately, would be overwhelming. The U. S. Department of Commerce, in its "Statistical Abstract of the United States" for 1931, publishes at page 487, the figures for our "Balance of International Payments" for the years 1929 and 1930. There are about 40 items in the account and most of them appear on both debit and credit sides of the ledger. To make a comprehensive analysis would require the taking of each item in turn. Tourist expenditures for 1930 (outside Canada), for instance, show a debit of $545 millions. What would American tourists have spent this sum for had they stayed at home, and what employment would have been preserved thereby? And what employment will the foreigners create here when they return these dollars for purchases? The subject is clearly one where a broad view is needed and the "woods" should not be lost in the "trees."

Two useful approaches suggest themselves. It seems clear that trade, on the whole, must somehow be trade. A desert such as the Sahara cannot buy, because it can not sell. A desert such as Iraq or Saudi Arabia, once oil is discovered, can not only buy as it sells abroad, but it can anticipate sales and borrow for development. The more it borrows, however, the more it must sell for export afterwards when it adds interest to its other payments.

Here is another approach. Before the war Malayan rubber came into this country with no visible injury to our employment. The prosperity of Malaya depended largely on these sales. Now the war has given us a vast artificial rubber industry of our own and trade with Malaya can be resumed only at the cost of displacing labor making synthetic rubber here. Will this employment loss be a net loss?

Obviously the Malayan seller wants his pay in money current in Malaya. The U. S. buyer of rubber having no Malayan money must offer dollars, either directly to the foreign seller or indirectly through some bank, ultimately a foreign bank, which can furnish the Malayan funds. Somewhere along the line dollars or dollar "exchange" must find its way into foreign hands.

What can the new foreign owner do with dollars? Foreigners, broadly speaking, have no more use for U. S. money than we have for British or Mexican or Canadian money. Their banks will keep a normal small amount on hand for special use, a revolving fund. But they will not ordinarily accumulate substantial amounts of any foreign currency or "exchange" or deposits. The U. S. dollar is thus a homing pigeon with habitat in the United States. It may be carried briefly from country to country but will ultimately return here for purchases from us which, when made, will normally create an equivalent, a rough equivalent, of new employment here to match that which was lost when we sent the dollars on their foreign tour.

Experience would seem to support theory in this matter. In 1929 we sold $5,241 millions worth of goods abroad against goods bought of only $4,399 millions. In 1930 exports of $3,843 millions again exceeded imports of $3,061 millions. Foreigners want our goods and seem likely to buy them as fast as they are given means. In the domain of securities we are the ones likely to be purchasers on net balance. Broadly speaking, therefore, as to goods and services, our sales are likely to equal purchases, export employment to be set against unemployment due to imports, and foreign trade, therefore, to be as neutral to employment as domestic trade.

This proof that economic forces, here as elsewhere, tend toward balance, is far from being mathematically certain. It asserts only that under normal conditions and in the long run there is a better than even chance that a lack of balance in employment in either direction will correct itself and therefore more probable than not that equilibrium will be maintained. Such unscientific probabilities are the sort on which businessmen have constantly to plan and act and, in default of anything better, should, it is submitted, not only be furnished but be decisive.

Labor Saving

One prime incentive to foreign, as to other trade, is that it saves labor. "Labor saving" does not always mean unemployment. When a farmer buys a tractor, for instance, he has no idea of loafing in the time saved. He expects to work just as many hours as before and just as hard, but to get more done, paying for the tractor out of the added production made possible by the time saved.

When an employer, however, in a highly organized society, "saves labor," his interest in the matter ends. Whether other work is found for the spare time is up to the worker. Similarly when an importer imports cheap goods and thus puts people out of work he does not ask if they can reemploy themsevles or not.

What becomes of them? What becomes of the increase of our working population of a half million or so a year? Where do they get work? Nobody gives them "purchasing power." They produce without it and production is their buying power. The idea that an expanding population can find jobs only on new frontiers will not stand study. If it is right why has the New Deal been buying farm land for twelve years and contracting the available supply?

Not only is there new work to be done as workers are made available to do it, but strong pressures arise to compel reabsorption and to slow down the pace of disemployment to that of reabsorption. The forces at work are especially familiar in the field of foreign trade. Excessive imports cause loss of gold in payment and contraction of credit. Coupled with direct loss of employment from foreign competition this causes lower wages and encourages rehiring. Also by reducing prices it tends to discourage excessive imports, to expand exports, to shrink the rate of disemployment while speeding reemployment and thus to restore the balance.

That these healing forces are put to work must not obscure the fact that foreign trade, like other forms of progress, creates net unemployment to be healed. In a complex society where the desire to save labor is in one breast divorced from the desire to keep at work we can think of a sort of revolving fund of unemployment as probably inseparable from most processes which "save labor."

Abnormal Conditions

So far we have been discussing normal trade and have arrived at conclusions valid for such trade. Unfortunately today our huge excess of exports dating back to World War I, our heavy and unwise international lending, our "sterilization" of gold, our exchange depreciation and our tariffs have all helped create an abnormal accumulation of debt owing us and of monetary gold and silver stocks and we cannot deal realistically with employment as a practical problem unless we take these abnormal factors into the account.

These abnormalities arose primarily out of heavy sales by us of goods on credit. This credit did not obviate receipt by us of foreign goods in exchange for our goods but merely deferred this receipt. At the time the credit was given, our sales, our one-sided sales, created employment here, net employment, heavy net employment to the amount of the sales. But if we are to get paid for our goods the exchange which has been postponed must be completed somehow by sales of goods to us, sales as great as when we gave the credit, larger in fact by reason of the interest, and these sales to us will presumably create unemployment here roughly corresponding to the one-sided employment enjoyed when we made the original sales. Sales on credit, therefore, can be said to involve a somewhat violent shift from excess employment when the sales are made to excess unemployment when they are paid for. Even if the debt is allowed to run the creditor is involved in some unemployment when he gets his interest paid in goods, some unemployment when he discontinues sales on credit.

A creditor nation is likely to find this unemployment incident to completion of the exchange upsetting and politically inconvenient and can postpone or block it by shutting out the goods. It can take gold and silver instead of goods, or it can repel the foreign goods by depreciating its money or by "sterilizing" its monetary base so as to hold prices down, or it can shut the goods out by tariffs, etc. But all these devices are abnormal. They block the tendencies toward balance always in the economic system.

Foreign countries can, of course, repudiate these debts, or we can forgive them, or we can even become heavy net international debtors ourselves as result of the war. But things as they stand are abnormal and should be cured and the cure will involve us in a temporary and abnormal net loss of employment, that incident to suspension of our excess sales of goods abroad, that incident to the recovery by foreign nations of enough gold and silver to rehabilitate their monetary systems, and that incident to service on net foreign debt.

Tariffs

Perhaps the best approach to tariffs will be to consider in turn various possible tariff policies.

1. Our traditional policy of shutting out by tariffs all competition with inefficient industries here preserves our employment in protected lines only at the sacrifice of employment in our exports. The net gain of employment is small, the cost of living is increased. Political uncertainties are introduced into business and each interest must keep lobbies. These are the pros and cons from the narrowest national viewpoint.

Internationally the policy seems one of short-sighted selfishness. At relatively trivial advantage to ourselves we impose well-nigh staggering burdens on weak foreign countries. These include loss of credit, deflation, loss of employment, lower prices and wages and ultimately revolutionary types of political unrest and probably war. Statesmen on both sides of the water have united in warning us against this dangerous policy and it should be unequivocally rejected by all who want sound post-war prosperity and a stable peace. The sacrifices involved in renouncing this policy are as nothing to those involved if we do not renounce it.

2. Another policy sometimes advocated, as a step in general post-war reconversion is a wiping out of all tariffs everywhere. This, of course, would establish industry everywhere on the most efficient basis.

But efficiency, although an important economic goal, is not the only one. A sense of proportion is needed. The world will have enough to try to do after this exhausting war merely to reconvert from war to peace. To reconvert also from protection to free trade and thus to wipe out at one stroke most of our protected industries would make the cost of efficiency insupportable. This program is probably politically impossible as well and those who advocate it waste ammunition which they might spend to real advantage elsewhere.

3. Another possible policy might be that of selecting certain industries as victims and lowering tariffs on their products just enough to enable foreign countries to balance their international accounts. The difficulty with this program is that political support for it would be hard to find. Business accepts destruction from the impersonal forces of the economic world but would fight against bankruptcy imposed by the government. The Hull program has been able to secure political support because it has got foreign tariffs lowered to match reductions here. It has thus preserved employment and secured support from exporters and importers to match the opposition from the protected industry it sacrificed. Such suport would not be available for unilateral lowering by us.

4. This brings us to the Hull program. As just said it has had the great merit, by securing tariff reductions abroad, of matching new employment in our export trades against the unemployment our tariff reductions have caused to protected industry. By cheapening goods here and abroad it has lowered living costs. By making trade possible which would otherwise have been blocked by tariffs it has unquestionably helped employment abroad. And finally as the only constructive policy actually in the field it should be disturbed only in favor of something certainly better. Mr. Hull deserves and has had high praise for it.

There are considerable objections to it, however, in present form for post-war use. In the first place it permits increases as well as reductions of tariffs and this permission was availed of by President Roosevelt in 1936 when he increased tariffs on cotton goods 42%.

That permission opens a wide door and one in contravention to the spirit and purpose of the Act. If the Act is continued in force it ought to be amended to require that parties to trade agreements renounce further tariff increases.

Another objection to the Act is that tariff changes under it can be used, here and abroad, to favor friends and punish enemies politically. It can be made to serve big business, big unions, at the expense of smaller or less politically potent enterprises. In the right hands such support may be essential to keeping the Act in force. In the wrong hands it is capable of serious misuse.

Still another objection is that the tariff reductions under the Act are discretionary and therefore the Act affords no satisfactory basis for post-war planning. Even if the Hull program were universally adopted, so runs this argument, no nation would know more the day after than the day before as to what the future level of tariffs would be as to any product. Reconversion, when it comes, should have a more predictable basis.

Finally the program has neither been planned nor operated in such a way as to create world economic balance*. By succumbing to the temptation of increasing our sales for export at the same rate as our purchases and of thus preserving employment here it has delayed instead of speeded return to healthy world conditions. That we have been continuing to store up trouble for ourselves in spite of this program is shown by our vast and unhealthly imports of gold and silver before the war, by the continued "favorable" balance of our trade accounts, and by the correspondingly low prices by which foreign bonds reflected pre-war status of foreign credit. Only about ten countries in the world could boast that their dollar bonds sold above par at any time in 1939.

The onus of singling out industries for tariff reduction ought not to be left in unpredictable political hands. It is utopian to expect of a government official or body the firmness to impose the hardships required for return to world economic balance. The essential weeding out process, so far as possible, should be left to the operation of the natural and impersonal forces of supply and demand.

Post-War Policies

The function of an economist, a practical economist, is something like that of a doctor; he has to diagnose ills and prescribe medicines. Sometimes the medicines are unpleasant and it is difficult to persuade the patient to take them. As between remedies otherwise equally good the doctor may consider the palatability of the dose. But if he has no painless remedy he should say so. He is not "utopian" if he frankly advocates the only remedy even though it is politically impossible. He is a quack and humbug if he does not.

Sound steady employment is not going to be possible in any one country after this war in an unsound world. To have a sound world we must have soundly balanced world accounts and sound money. Siren voices are trying to tell us that the forces of supply and demand need no longer govern the volume of money. In the face of conspicuous failures in government control of the supply of simple commodities such as rubber we are now being invited to believe that government agencies are wise enough to know how to govern the much more complicated supply of money. This presumptuous gospel should be repudiated and the forces of eco-

*Francis B. Sayre (The Way Forward, The Macmillan Co., N. Y. 1939 pages 160-3), in defending the trade agreements program against charges in Congress that it was stimulating imports in excess of exports, says:

"The program is not designed to force exports beyond imports, for we cannot hope to sell unless we are willing to buy. Converselv, there is nothing in the program which should cause our imports to increase beyond our exports."

"The trade agreements program, as a matter of fact, has little direct bearing upon the United States balance of trade."

In other words the Act was intended to make no contribution toward international solvency or balance. That it had no such effect can be judged from the following further quotation:

"The excess of our merchandise exports over imports has since 1936 sharply increased, actually reaching more than a billion dollars in 1938."

Four years after the passage of the Act—June 12, 1934—, in other words, it was putting foreign countries a billion dollars a year more in the hole every twelve months so far as it could help or hinder.

Accordinglv, after careful examination, the House Ways and Means Committee investigating the operation of the Act was "convinced that the trade agreements, while tending to stimulate both exports and imports, have not affected the actual trade balance."

nomic balance put in charge. That can best be done on the conventionally familiar gold and silver bases for money with the metals again distributed according to world needs.

Although both sound accounts and sound money are probably indispensable prescriptions they are unpalatable ones. They involve a refusal to confirm dependence on borrowing to create employment and also the creation of such actual unemployment here as is incident to repatriation of foreign gold and silver and to servicing of dollar debts. We do not need to guarantee that foreign governments will be strong enough to collect this interest from their own citizens but we must permit "transfer" in goods sold here, when the collections have been made.

If we refuse this medicine then nature will surely increase the penalties commonly imposed by her for disobedience to natural law. World illness also will continue and increase if we block world balance through tariffs, depreciation, unsound loans, etc., in an effort to protect unsound employment here. If we are ready to take our medicine then the question arises as to the quickest and least painful form. On such a question expert opinion is certain to differ but the following program is submitted as having certain economic and political advantages.

Tariffs—Bilateral tariff reductions such as those used in the Hull plan are not well adapted to restore world equilibrium. The Hull plan is not predictable, it is not a stable basis either for reconversion or for currency stabilization. Unilateral tariff reductions, although theoretically offering a sound program seem impractical politically.

Hence the best program is to freeze tariffs where they are and take them out of politics. The work of restoring world equilibrium would then rest on exchange adjustments either under agreements such as those proposed at Bretton Woods or else simply freeing the exchanges for the necessary period and letting them find proper levels without interference. The machinery for such a program would be first a binding treaty signed by the countries of the world to freeze tariffs at existing levels for an indefinite period. Other forms of trade barriers should be ruled out, exchange manipulation should be foresworn and subsidies as a general proposition barred. With political manuipulation of tariffs ruled out industry could plan.

Exchanges — The foreign exchanges, under this plan, would presumably depreciate against the dollar just enough and no more than enough to enable foreign countries to buy back their needs of gold and silver, to service their dollar debt, and to pay for their current imports. We deny them these privileges only at our peril. Having permitted the exchanges thus to stabilize themselves, we should retie them to gold and silver at conventional fixed prices.

Employment — The amount of employment sacrificed under this plan would be aproximately the same as that involved under a program of selective reduction of tariffs or, in fact, under any plan limited in objective to the restoration of economic balance. Such sacrifice could be almost mathematically figured and would include that incident to curtailing our excessive exports, to permitting foreign countries to pay their debts, and to permitting them to resupply themselves with monetary gold and silver. The industries hardest hit under the plan would not necessarily be those that we could best afford to lose but would be those which happened to enjoy the least margin of tariff protection at the moment and therefore those most quickly exposed to competition when foreign countries, by exchange depreciation, lowered their prices in international markets vis a vis the dollar and thus began to probe for outlets for their goods. The advantages for the plan, therefore, would be all political and would arise from the impersonal and to some extent blind forces which it, in contrast to a plan for selective lowering, put in charge of liquidation. In making the foregoing statements the unemployment incident to progress—being normal and usual—has been left out of the account.

Are these sacrifices worth while? The answer is that we cannot afford not to make them. The United States cannot somehow constitute itself a small area of soundness in a rotten world apple. Enlightened selfishness demands that we use our vast international power as chief world creditor first for the general good and not until then for ourselves. The rest of the world is weak. It cannot accept the heavy burden of correcting world dislocations which our policies have done so much to create and is helpless without our help. We have the moral obligation, the strength and the control.

We can be "penny wise" as to domestic employment if we like, and, as we did in 1930, again pass a Hawley-Smoot Tariff Act in another futile effort to prosper all alone. Or, by accepting our role as world's bankers and stabilizing tariffs, trade, and ultimately, money, we can give industry, for the first time in recorded history, an opportunity to plan mass production for world markets. The first course spells doubtful net gain for ourselves, while the second promises a world economic future of hitherto undreamed of brilliance. Statesmanship invites us to make a small sacrifice to achieve a great gain and to avoid a great loss. Having the power we can not escape responsibility for its use.

Supplemental Notes

Although the unemployed worker is primarily interested in a numerical measure of unemployment, it has been thought in this article that, where the purpose was comparative, any reasonable measure would be good enough if only used consistently, and hence a dollar measure, as the most convenient, has been used.

The general rule has been laid down that exports normally match imports. This rule, however, must be undestood to apply only to the extent that the foreign seller is paid for his goods. What is paid in customs duty, although it figures in the cost of the goods to the importer, does not remain in the hands of the foreign exporter and constitute purchasing power for U. S. exports.

Whether money paid as duty increases employment here as much as if it had been paid to the foreign seller depends on whether we think that money paid in reduction of taxes leaves that much more in the hands of industry here for expansion and employment. It seems probable that money paid as duty has as favorable an effect on employment here as if paid to the foreign seller in a transaction where the goods came in duty free.

Does domestic competition do less injury to employment here because the displaced workers are free to go and find jobs in the place where the competition came from whereas they cannot always do so when the competition comes from abroad? This question has small practical interest as our workers do not want to emigrate.

Another argument which can be made in favor of domestic as against foreign competition and which has some force is that inasmuch as it invariably creates employment here before it creates unemployment, it is less certain to harm our workers than foreign competition which can create the unemployment (at least from our point of view) before it creates the corresponding employment.

It is worth noting that no new labor displacement and unemployment is caused by routine transactions, however harmful they may have been when first initiated. The import of Cuban sugar, for instance, may have caused unemployment here the first year of import but thereafter, so long as the amounts are habitual, it causes no new unemployment.

In speaking of "competing goods," the words have been used in their ordinary sense as meaning goods which displace their direct equivalent in domestic production. In speaking of "goods," the term has usually been thought of as including "services" rendered in the international market and productive of "exchange." "Non-competing" foreign goods, although they offer no direct, identifiable, competition with our products, do unquestionably offer what may be called "scattered" competition resembling that so familiar at home when our automobiles compete for public purchasing power with refrigerators and radios and houses, etc. Certainly any large increase in purchases from abroad, even though the goods were "noncompeting," would involve some transfer of employment out of manufacture for home markets into manufacture for an export market stimulated by the increased foreign purchasing power for our exports created by the shift.

Furthermore, a numerical measure of unemployment can be satisfactory only when we know the kind of goods. If we export cotton and wheat and lard we will premumably employ a larger number of people here than if we export automobiles, and this will be true even after all proper allowances have been made for the labor employed in producing and servicing the machinery involved in both automobile and agricultural production. Conversely, if we import sugar we will presumably put more people out of work than if we import optical goods or soap. Unfortunately, we do not know in advance the kind of goods or whether foreigners, for instance, will prefer to use their scarce dollars to buy our automobiles or our cotton. Hence, it seems safer to generalize about employment from future world trade on a monetary than a numerical basis.

Finally, without underrating the importance of employment, the economist must not overrate it. Employment is an economic means rather than an economic end. It can be got, as I have pointed out elsewhere ("The Commercial and Financial Chronicle," Dec. 30, 1943), by simply scrapping labor-saving machinery and going back to pioneer methods. Similarly, in the field of foreign trade we can create employment for ourselves by becoming a debtor nation and thus exporting quantities of goods (as interest) without fear of competition from corresponding imports. Britain, after the war, will be in just that position. But she is not to be envied her large prospective employment. Having lowered her labor cost to the point where she can sell this huge excess of exports and thus strip herself of goods to pay her debts she will have less to live on and not more. It is the United States, on the receiving end of much of these goods, whose standard of living should be helped. But not if we shut out the goods. That will destroy British credit and block the progress we would otherwise make toward a higher standard of living through the cheapening of goods.

Must these clear national and vast international interests be sacrificed to the pressures of short-sighted but determined local groups? Can our voters and our leaders be persuaded that great interests must be put ahead of little ones? History, for the next generation, is likely to be profoundly affected by the answer to that question.

"Kick-Back Racket" In Wall Street Charged

Investigation of a "kick-back racket in Wall Street" involving at least seven customers' brokers was announced by Assistant New York State Attorney General John W. M. Rutenberg. Discovery of the secret arrangement was made during the examination of the affairs of William F. Moore, an over-the-counter securities dealer who had been indicted for embezzling clients' funds and had pleaded guilty to attempted grand larceny in the first degree, Mr. Rutenberg stated. Mr. Moore, he said, received a suspended sentence on his promise to make restitution, but was enjoined from doing further business in securities in New York State.

Mr. Moore revealed, Mr. Rutenberg said, that he had had a secret arrangement with Alfred Henry Nolman, then a customers' broker for a New York Stock Exchange house, under which profits obtained by charging prices "which were out of line with the market" were split between them. Charges were made by Mr. Rutenberg in seking an injunction to restrain Mr. Nolman from engaging in the securities business. The latter consented to the injunction, but denied "any and all allegations of fraud or fraudulent practices contained in the complaint."

Mr. Rutenberg later said the Stock Exchange was cooperating with his investigation. It was felt by financial circles however that those familiar with the business could hardly help considering the Moore case as an isolated instance.

OPA Policies Creating Unnecessary Scarcities

(Continued from page 1915)

however, that the underwear industry will not be able to maintain a rate of output anywhere near the early war peak. Actually, its rate of operations at present has shrunk to 80 to 85% of its pre-war volume. As a result the earnings trend for the industry as a whole has already flattened out, and in the case of many individual mills the point has been reached where due to the increasing pressure of rising production costs on mill margins, profits on many essential civilian volume products of the industry will be entirely wiped out unless the industry immediately receives price relief.

The problem for the industry has been considerably aggravated because the Office of Price Administration thus far has refused to authorize an increase in ceiling prices for lightweight underwear garments in order to compensate the industry for the average 10% increase in yarn prices caused by the Bankhead Amendment to the Stabilization Extension Act of June 30, 1944. Thus far only manufacturers of heavyweight underwear have been authorized by OPA to add the increase in yarn prices under the Bankhead Amendment to their selling prices.

In addition, "the cost comparisons are based on costs today and on the ceiling price at the time price ceilings were established for each garment. (1) **Yarns** were increased by the difference between the cost per pound of the particular count of yarn used at the time of the freeze and the price today; this was multiplied by the number of pounds used for the garment. (2) **Trimmings**—In indicating the exact increase in trimmings, no specific data were available, but it is safe to assume that they were increased by at least 10% in the time between the ceiling order and today. (3) **Direct Labor** was increased by taking the percentage increase in average hourly earnings as furnished by the Bureau of Labor Statistics from October, 1941, up to and including June, 1944. (The original price freeze was based on the October, 1941, cost level.) The percentage thus obtained was applied to the labor cost of the garment. (4) **All Other Expenses** were increased by 10%, as it is believed that such items as Factory Overhead, Indirect Labor, Administrative Expense, Selling Expense, etc., have increased to at least that extent (10%).

"The prices in carded yarn—which is now used almost exclusively since combed yarn is practically unobtainable for civilian underwear—have increased approximately 20% in the most widely used counts since the underwear price freeze in October, 1941. Carded yarn prices now show a total increase of 25% since July, 1941.

"Average hourly earnings in the knit underwear industry have increased by 38%. (From 46.7 cents in October, 1941, to 64.5 cents in June, 1944.) Practically none of the average hourly earning increase was due to overtime operations, because the hours worked per week have remained 40 or less, with the exception of a few months in 1943 when the average went to a high of 41.8 hours.

"A larger labor turnover in the underwear industry has further increased labor costs. For training an average sewing machine operator alone it costs the industry approximately $200."*

The Office of Price Administration thus far has refused to adopt a realistic policy in dealing with threats to the over-all earnings position of an industry or an individual company. Under present adjustment provisions a company applying for price relief is usually requested to show that its over-all operations are at a loss or that such a loss is threatened within 90 days.

Thus OPA at least recognizes that it would be economically unsound to delay price revisions until losses have actually occurred. However, the provision that a company may project the influence of new price factors only 90 days ahead is far too rigid, particularly if this provision were to be retained as one of the price adjustment criteria during the reconversion period.

Since it is generally recognized that the maintenance of maximum civilian output is of particular importance during the early reconversion phases, it is now rapidly becoming one of OPA's major responsibilities to prevent the depletion of working capital through unsound pricing methods. Only a pricing policy which will not force an industry or a company to forego all profits by fixing its ceilings at a level which merely permits the recovery of its production costs will safeguard a smooth reconversion start. At least during the initial reconversion phase it is of paramount importance to enable even high-cost producers to stay in business and to contribute in satisfying pent-up consumer demand.

Here again the underwear industry offers an interesting case study. Mill margins in this industry have been traditionally low due to heavy competition, particularly in medium- and low-price lines which constitute the bulk of the underwear production. The continued rise in production costs since the original freezing of underwear prices in the General Maximum Price Regulation (later replaced for fall and winter underwear by MPR 221 with a further price rollback beyond the GMPR March level) will force more and more mills out of the production of medium- and low-priced garments unless prices in these volume merchandise lines are set at a point which safeguards normal manufacturing margins. This trend is being accentuated by the limits imposed on the total volume of the industry by manpower difficulties and yarn shortages. Since it must be one of the primary reconversion policy aims to maintain production volume and employment in each individual industry at the highest possible level, it can readily be seen that in the case of the underwear industry a pricing policy must be adopted by OPA which will immediately stop the trend toward elimination of medium- and low-priced volume production items.

The underwear industry itself is fully cognizant of the dangers confronting its immediate future and its smooth reconversion start. It has petitioned OPA repeatedly in order to obtain an upward revision in price ceilings. OPA and the Office of Economic Stabilization themselves have repeatedly recognized that moderate price increases in cost of living items would not be contrary to the hold-the-line order if they would serve to prevent the disappearance of low-priced merchandise from merchants' shelves. This is exactly true in the case of the underwear industry.

The underwear industry therefore has framed a three point program which in its opinion is necessary to prevent a further serious aggravation in the civilian underwear shortage and in order to safeguard military underwear requirements until the end of the war. This program aims at:

(1) An immediate adjustment in lightweight underwear ceiling prices in order to offset the yarn cost increases caused by the Bankhead Amendment to the Stabilization Extension Act,

(2) A simplification in price adjustment procedure governing all types of knit underwear, including military procurement, and

(3) A complete overhauling of its price ceiling structure through revision of its basic price regulation with the specific aim of eliminating inequities inherent in any general price freeze in highly seasonal industries.

Progress of this program will determine when the underwear shortage will be alleviated and in what condition the underwear industry will be able to tackle its reconversion problems.

*Quoted from a memorandum released by the Underwear Institute Oct. 31, 1944.

Some Vanished Liberties

(Continued from page 1915)

ganda consisting of the claim that NASD members had better regard it as the lesser of two evils, for if they failed to do so then sure as shooting they would be harnessed with a full disclosure rule.

It has been said that when a man asks questions he shows evidence of being a person of education. In connection with the subject under discussion we have an avid thirst for knowledge.

What is meant by the assertion that the NASD will soon put into effect a new system of providing quotations? Will it do this by way of a rule, or through the medium of a weasel interpretation? Does the Board of Governors have the courage to remove all inside secrecy and submit the matter to open discussion among its members for their approval or rejection, or will the Board adopt the iniquitous road it travelled in connection with the "5% spread"? Since these quotations are limited to over-the-counter securities, will voting, if allowed, be limited to over-the-counter dealers and brokers, or will all members irrespective of whether they are active in these securities, ballot?

While we are in a questioning mood, what part is the SEC playing in all this? Are its Commissioners and other representatives joining hands with the NASD in this project? Will the facts, dare the facts, come out into the open, or when and if such a challenge is ever hurled at both these bodies during litigation, as there was in connection with the 5% spread, and it will be claimed that the SEC sat in with the NASD and gave its blessing to the proposed system of quotation control, will the SEC maintain an indiscreet silence?

Is it true, as we have been told, that for almost two years there has been in the possession of the SEC a volume of data on the matter of quotations, which data, as recently as Aug. 16, 1944, the Commission refused to exhibit on demand, claiming that it cannot be made available to the public?

Why all this secrecy? We doubt that it can beget confidence of any kind either public or private.

OPEN UP THE RECORD FULLY, FAIRLY AND COURAGEOUSLY, AND STOP THIS SECRET SNIPING AT CUSTOMS AND USAGES WHICH WERE FIXED AND ADEQUATELY SERVICEABLE LONG BEFORE MANY OF THE SNIPERS WERE BORN.

Through these columns we have voiced, and shall continue to voice, our opposition to artificially controlled quotations no matter who is at the controls. We are for free, open and liquid markets. Never before in our history were these as essential as they are today when the success of our reconstruction period is so dependent upon them.

Much deserved criticism has been levelled at administrative bodies because of their combined activities as investigators, prosecutors, juries and judges. We have from time to time shown how these centered functions militate against a fair trial, and how the preservation of our freedom and the American way cry for decentralization.

The SEC and the NASD by placing the artificial manipulation of over-the-counter quotations in their portfolio will be striking a death blow to freedom of trade and true markets and at the same time changing trade custom and usage.

Such UNDESIRABLE changes may be legally accomplished by proper legislation. Whittling by the Securities and Exchange Commission and the National Association of Securities Dealers is not the way.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1918)

will remember that the familiar averages were at about 149 and according to all the gossip, were going through the old highs of about 150. At that time this column said that lower prices were in order and advised accordingly. Since then the market has declined about four or five points to about 145 or so. During this decline the number of pessimists has increased by leaps and bounds.

* * *

But now that almost everybody sees nothing but lower prices immediately ahead the situation has changed again.

* * *

Two weeks ago this column wrote that support would be seen when the averages reached about 145-146. That is about where they are today. The question now remains as to when the anticipated reversal will be turned into actual fact. A guess in the dark would be right after election.

* * *

But if the elections have been discounted by the market, the post-war world has not. It is there that the crux of the situation can be found. The deals and dickers between interests in various countries who are anxious to recapture and increase their spheres of influence will have a major bearing on prices of the future.

* * *

For that reason I suggest holding positions but until market action itself gives the necessary indications, no additional buying should be followed.

* * *

You now have the following: Allied Mills, bought at 28. Half was sold at 32½. Stop remainder at 28. Bendix, bought at 38. Half sold at 45½. Stop rest at 38. Crown Zellerbach bought at 18. Hold full lot with stop at 17. Lockheed bought at 17. Stop at 18. U. S. Steel bought at 58½. Stop at 54.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

Dewey Offers Program For Peacetime

(Continued from page 1915)

Your next President will never use his office to claim personal or political profit from the achievements of the American people or from the sacrifices of their sons and daughters.

Your next President will never make you a promise that he does not intend with all his heart and soul to keep.

And let me add that except for the pledges I have made publicly to the American people, your next President will take office next Jan. 20 without a promise, express or implied, to a living soul.

There is no One Thousand Club in my party. I have not offered the Government of the United States for sale at one thousand dollars to any man and I never will to any one at any price. Your next Administration will take office honestly, without secret promises of special privilege to any class, group or section. We shall represent all the American people equally—we shall restore honesty and good faith to the Government of the United States on Jan. 20, 1945.

Now put your minds ahead with me, if you will, into those peace-time years which by the courage of our fighting men and with the help of Almighty God are being brought closer every day.

Eleven million men and women will be coming home from this war eager for more education, for jobs, for a chance to start a business, and to get ahead. Twenty million war workers will want peace-time jobs and opportunity.

Last Saturday night my opponent once again promised jobs for every American when peace times come. But his own peace-time record is that at the end of eight years the New Deal had spent $58,000,000,000; it enjoyed more power than all previous governments; and in March of 1940 there were still 10,000,000 Americans unemployed. On the record, his promise of jobs is worthless. It will still be worthless, even though it is repeated again and again and again.

Having discovered from my Philadelphia speech, delivered two months ago, the need for a million new homes a year, my opponent now promises that. The fact is that for years we should have been building a million homes a year just to get back up to the standards of 1930. But under Mr. Roosevelt we got an average of only 380,000 homes a year.

On the record, then, that promise, too, is no good, even though it is repeated again and again and again.

My opponent now promises to free the American working man from the strangling bureaucracy he himself has created. When a man promises, in trying to win an election, that he will reverse the course of everything he has done for 12 years—then that promise, too, on the record, is no good, even though it is repeated again and again and again.

My opponent promises the farmers good prices after the war. But the farmer knows that in all the peace-time years of the New Deal he never got decent prices. Under Mr. Roosevelt it took a war to get prices, just as it took a war to get jobs. On the record that promise, too, on the record, is no [prepared text said "bogus"], even though it is repeated again and again and again.

My opponent promises to be mindful of the problems of small business. The small-business men of America will know how much faith they can put in that, and I should like to talk briefly about the future of small business. This is the field in which a large part of our white-collar workers earn their living. This is the field of the forgotten men and women under the New Deal.

Now, American business men know that the New Deal way of being mindful of their problems has been slowly to drown them with a rising flood of rules and regulations, questionnaires, reports and directives.

It's been bad enough for large business, but the big corporation at least has its lawyers, its accountants, clerks and statisticians, when it comes to small-business men, this New Deal burden of Government paper work has too often meant the difference between success or failure. Take the case of Captain J. F. Shields, of Seattle, who is in the salt codfish business. For 33 years his boats have gone out—until last year, when the War Labor Board failed even to pass on his wage contracts. So last year he couldn't go fishing at all.

He reports that this year he finally got clearance, after going through 24 different Government agencies in order to carry on his small business. In addition to the Navy Department, Commerce Department, Treasury Department, Immigration Service, and the Maritime Commission, a partial list of the agencies he had to deal with includes WLB, WMC, OPA, WSA, FCC, USES, WPB, ODT, SS, WFA and others.

Here is another sample of what our small-business men have had to contend with. The world trembles in the greatest war of the ages and bureaucracy puts out the following ruling:

"Mashed potatoes offered a la carte for week-day lunches would be in the same class of food items as potatoes au gratin offered a la carte for week-day lunches, but would be in a different class than mashed potatoes offered a la carte for week-day dinners or Sunday suppers."

Well, that's the New Deal way of being mindful of the problems of small business. It's the same from restaurants to beauty parlors, from electrical shops to the insurance business. And that's why it's time for a change—before it's too late.

Yes, the New Deal pretends at election time to be the friends of small business. But how has small business actually fared under the New Deal?

The record shows that in 1942 and 1943, the most prosperous years we have had under the New Deal—because of the war—there was a net decline of 500,000 in the number of American small business concerns, a net figure of half a million small businesses closed their doors.

And yet my opponent has the temerity to go on the radio and say: "This Administration has been mindful from its earliest days, and will continue to be mindful, of the problems of small business." . . .

In the light of the record, that promise, too, is worthless, and it will remain so, even though it is repeated again and again and again. My opponent has read our platform and is now saying "me, too." Even the New Deal knows it's time for a change.

No, we cannot live on promises. We must have performance this time—before it's too late. As we keep our minds on these peace-time years ahead, let us remember one thing: my opponent has offered no program for the peace-time years ahead except the same one which failed for eight straight years of peace from 1933 to 1940.

And let me add that the figures showing that failure have been correctly quoted by me from the beginning to the end of this campaign. My opponent has insinuated that they were not correct, but he has never dared point to one he disagreed with. Instead, he says with a sneer that when he was Governor of New York he quoted figures correctly. I do not recollect his quoting figures at all when he was Governor of New York, and very rarely since then—for one very good reason. In every Administration Mr. Roosevelt has headed he ended up in the red. No country can long survive under any leader who only piles up a higher debt each year, not just in war, but in peace.

Let us, as a nation, re-learn one simple thing. Our peace-time economic system is like a high-powered motor. Every part of it must work or the engine will run badly. If one spark plug goes bad, the engine loses power. If the distributor is out of order or the fuel line gets stopped up or the carburetor goes bad, the whole tremendous power of the machine fails.

That's what the New Deal doesn't know and never could learn. It had to tinker first with one thing and then with another. It has changed the tax laws 15 times in 12 years so no man could plan ahead. It fought first one part of our job-making machinery, then another. It was never willing in all its years to let all the parts of this machine function smoothly.

It is a shocking thing that my opponent, after 12 years as President, felt compelled to announce, as news, last Saturday night, that he believes in the enterprise system; yet, in all his campaign speeches my opponent has not indicated how he will achieve in post-war years what he so tragically failed to achieve in peace-time years. Let me summarize in brief, some essential parts of the program of action I have proposed in these last two months for the peace-time years ahead. Virtually every element of our program is something the New Deal has fought against or neglected, and cannot now, for election purposes, claim to favor.

Here is the program of my party for these peace-time years ahead:

Proposal No. 1—Direct all Government policies toward the goal of full employment through full production at a high level of wages for the worker and with an incentive for the business man to succeed. Your next Administration will work out the problems affecting labor, agriculture and business in full consultation with all three and without discrimination against any class or section of our country or any race, color or creed.

Proposal No. 2—Adopt an entirely new tax structure which will do these things:

1. Change the personal exemption so that a man who makes as little as $11 a week no longer has an income tax taken out of his standard of living.

2. Reduce personal income tax rates so that the tax law, after credit for dependents, will no longer take at least 23 cents out of every taxable dollar in the pay envelope.

3. Change and lower the income tax on business so that it can be encouraged to expand and help create the millions of jobs we need.

4. Overhaul the entire tax structure so that it is simple, so that every one can understand it and then stick to it over a period of years. Only if we stick to it can we go ahead and build and create jobs. That's the only way in the world we can ever get our national income up to where it's got to go after this war. The highest our national income under this Administration in peace-time has ever reached was $76,000,000,000, compared with $89,000,000,000 in the 1920's. The only way in the world we can work it out is to double that New Deal best in the peace times to come, under a decent tax structure, with a system which is told by its Government to go ahead and go to work and produce.

Proposal No. 3—Make our social security system available to every American and not to a selected part of our people. For nine long years, the New Deal has kept twenty million Americans out of our old-age pension system. The right to an old-age benefit has become a fundamental of our society. We can and we must extend the system of old-age benefits and social security to all our people and build a society strong enough to support it.

Proposal No. 4 — Establish a definite and secure floor under farm prices, one we'll know about now and next month and next year, so a man can plan ahead again. Do it by the means outlined in my speech last Saturday, together with the other elements of that program and then free the American farmer from dictation from Washington.

Proposal No. 5 — Restore free collective bargaining in America. Sprawling government agencies have now established an iron rule over the wages, hours and chance to get a job, of every American worker. We shall establish the Fair Employment Practices Committee as a permanent agency with full legal authority. We will then merge the balance of these agencies in a strong and competent Department of Labor under the leadership of a man from the ranks of labor.

Proposal No. 6—Survey forthwith the millions of reports required of big and little business every year by government and immediately abolish the greater part of them. We have done it in New York and we can do it in the nation.

Proposal No. 7—Bring a competent staff into the Department of Justice so that we can bring an end to business monopoly in this country instead of just talking about it.

Proposal No. 8 — Establish an entirely new basis between the President and the Congress so that once again each shall have the respect of the other and each will be willing to work with the other in the traditional American fashion.

My opponent has continually criticized and attempted to purge the members of the Houses of Congress elected by the people. He has so abused and insulted the Congress that his own Senate leader rebelled just this year and denounced the words of a veto message by my opponent as "more clever than honest" and as "a calculated and deliberate assault on the legislative integrity of every member of Congress." That declaration was cheered to the rafters by the Senators and the members of the House swarmed into the Senate to congratulate the Speaker.

That is what three terms of unlimited power does to a man. That is why four terms, or sixteen years, is the most dangerous threat to our freedom ever proposed. That is one reason why I believe that two terms must be established as the limit by constitutional amendment.

We have seen that a New Deal Congress no longer trusts or accepts leadership from my opponent. It is generally agreed that the House and probably the Senate will be Republican next year. So, already Mr. Roosevelt has undertaken to insult the new leadership. In his speech of last Friday night he accused the men who will be the new leaders of placing political advantage above devotion to country, just because they publicly pledged themselves to a program for lasting peace. We must not have—we can not have—four years more of stalemate and hostility between the President and the Congress.

We must restore to the White House a willingness to work out problems with the Congress as equals, in the American fashion, over the conference table. We must bring an end to government by abuse and smear.

Lastly, I propose that, with an end to name calling, and with unselfish devotion, we unite as a people behind the cause of a just and a lasting peace through an international organization, with the strength to prevent future wars.

By these specific means and with a government made up of the ablest men and women in this country, we can restore honesty to our government and we can once again unite to secure the future which is our birthright.

Let us again make "getting ahead" a vital part of our American speech and thought. For years the New Dealers have sneered at the old American idea of "getting ahead." Let us make sure that our children can again believe that there is room for every one to get ahead. Let us nail that principle to our mast-head as we set out on a sure course for the future.

Let us determine that the end of this war will bring our young men and women home to the kind of America they have earned. With high purpose, with integrity and relying upon the guidance of the God of all of us, we can save freedom in America and go forward once again.

Langley Heads Group Offering Bonds of Potomac Edison Co.

Offering of $16,981,000 first mortgage and collateral trust bonds, 3% series due 1974, of The Potomac Edison Co. is being made today by an underwriting group headed by W. C. Langley & Co. The bonds are priced to the public at 102½% and accrued interest.

Net proceeds to be received by the company from the sale of these bonds, together with other corporate funds, will be applied to the redemption on or about Dec. 11, 1944, of $11,981,000 principal amount of first mtge. gold bonds, series E, 5%, at 105%, and $5,000,000 principal amount of first mortgage gold bonds, series F, 4½%, at 107½%, plus accrued interest in each case to redemption date.

Upon completion of the present financing the outstanding capitalization of the company will consist of $16,981,000 first mortgage and collateral trust bonds, 3% series due 1974; 29,182½ shares of 7% preferred stock (par value $100 per share, cumulative); 34,602 shares of 6% preferred stock (par value $100 per share, cumulative), and 120,000 shares of common stock (no par value). All of the common stock is owned beneficially by The West Penn Electric Co.

The company has set up an improvement and sinking fund for the 1974 bonds. In addition, it will deposit in cash or principal amount of bonds, as a maintenance fund, on or before April 30 in each year beginning with 1946, so long as any of the bonds of the 1974 series are outstanding, an amount equal to 15% on the consolidated operating revenues of the company and pledged subsidiaries for the preceding calendar year.

Calendar Of New Security Flotations

OFFERINGS

AETNA BALL & ROLLER BEARING CO. (formerly Aetna Ball Bearing Manufacturing Co.) has filed a registration statement for 30,375 shares of 5% cumulative convertible preferred stock, par $20. The preferred stock was offered to holders of common stock of record Oct. 14, for subscription at $20 per share on basis of one share of preferred for each four shares of common. Subscription rights expired Oct. 30, 1944. Underwriters purchased preferred stock not subscribed for by the stockholders. Proceeds will be added to working capital. The underwriters are Bacon, Whipple & Co., and Rawson Lizars & Co., Chicago, and Carlton M. Higbie Corp., Detroit. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

Offered — Unsubscribed shares (22,825) offered Nov. 1, 1944 by above named underwriters at $20 per share.

CALIFORNIA OREGON POWER CO. has filed a registration statement for $13,500,000 first mortgage bonds series due Nov. 1, 1974. Company will apply net proceeds towards the redemption of $13,500,000 first mortgage bonds, 4% series due 1966, at 195½ plus interest. Filed Sept. 28, 1944. Details in "Chronicle," Oct. 5, 1944.

Bonds awarded Oct. 31 to Halsey, Stuart & Co., Inc., on bid of 101.70 with an interest rate of 3⅛%.

Offered Nov. 2, 1944, by Halsey, Stuart & Co. and others at 102.86 and accrued interest.

CENTRAL VERMONT PUBLIC SERVICE CORP. has filed a registration statement for 37,856 shares of 4.15% dividend series preferred stock, ($100 par). Company is offering to holders of its 37,856 shares of $6 dividend series preferred the opportunity to exchange their stock on a share for share basis for the new 4.15% dividend preferred stock, with a cash payment of $5 per share on the $6 preferred. The cash payment is equal to the difference between the initial public offering price of $102.50 of the 4¼% preferred stock and the redemption price of $107.50 per share of the $6 preferred. All shares of $6 preferred stock not surrendered in exchange will be called for redemption at $107.50 per share plus accrued dividends. Any shares of 4.15% preferred which stockholders do not take under the exchange offer are to be sold to underwriters. Filed Sept. 7, 1944. Details in "Chronicle," Sept. 14, 1944.

Issue awarded Oct. 16 to Blyth & Co., Inc. and associates at 102.5 for any of the preferred not issued in exchange. They specified a 4.15% dividend rate and compensation of $1.65 a share for the group's service in effecting the exchange.

Offered—Unexchanged shares (19.580) offered Nov. 2 by Blyth & Co., Inc., at 102.50 per share.

KOPPERS CO. filed a registration statement for $23,000,000 first mortgage bonds, 3% series due Oct. 1, 1964, and $11,400,000 serial notes, issue of 1944. Following the issuance and sale of the bonds and notes, Koppers Co. and its parent, Koppers United Co., may be merged into Koppers Co., Inc., a new corporation formed for carrying out the merger, providing stockholders' approval is obtained. Proceeds from the contemplated financing will result in the retirement of all existing funded debt of Koppers Co. and Koppers United Co. and all of the existing 200,000 shares of preferred stock of Koppers Co. Underwriters are Mellon Securities Corp., A. C. Allyn & Co., Inc., Baker, Watts & Co., Blyth & Co., Inc., Alex. Brown & Sons, Coffin & Burr, Inc., First Boston Corp., Hallgarten & Co., Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc., Harris, Hall & Co., Inc., Hayden, Miller & Co., Hemphill, Noyes & Co., Illinois Co. of Chicago, W. C. Langley & Co., Lazard Freres & Co., Moore, Leonard & Lynch, Reinholdt & Gardner, E. H. Rollins & Sons, Inc., Singer, Deane & Schribner, Stifel, Nicolaus & Co., Inc., Stein Bros. & Boyce, Stone & Webster and Blodget, Inc., Union Securities Corp., White, Weld & Co., and Whiting, Weeks & Stubbs. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

Offered Oct. 30, 1944, the bonds at 102 and interest and the serial notes at 100.

KOPPERS CO., INC., has filed a registration statement for 150,000 shares of 4¾% cumulative preferred stock and 200,000 shares of common. Proceeds will be applied to the retirement of all of the existing 200,000 shares of preferred stock of the Koppers Co. after the merger and to pay off bank notes aggregating $4,786,624 of Koppers United Co. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

Offered Oct. 30 by an underwriting group headed by Mellon Securities Corp. the preferred stock at 103 per share and the common stock at $25.50 per share.

METROPOLITAN EDISON CO. has filed a registration statement for $24,500,000 first mortgage bonds series due 1974 and 125,000 shares cumulative preferred stock (par $100). The interest rate on the bonds and the dividend rate on the preferred stock will be filed by amendment. The bonds and preferred stock will be offered for sale pursuant to the Commission's competitive bidding rule. Proceeds from the sale of the new bonds and preferred stock, together with $9,049,900 to be received from NY PA NJ Utilities Co. and other funds of the company to the extent required are to be applied to the redemption of the following securities: First mortgage bonds, series D 4½%, $20,330,500, series E 4%, $4,684,000 and series G, 4%, $11,710,900 and to the redemption of outstanding $6 and $7 dividend prior preferred stock, cumulative, no par, and $5, $6 and $7 cumulative preferred stock, no par. Filed Oct. 6, 1944. Details in "Chronicle," Oct. 12, 1944.

Bonds awarded Oct. 30 to Mellon Securities Corp. and associates on bid of 100.312 for 2⅞s stock awarded Oct. 30 to Smith, Barney & Co., Goldman, Sachs & Co. and associates on bid of 101.386 with a 3.90% dividend.

Offered Nov. 1, 1944, the 2⅞% bonds at 101⅝ and interest and the 3.90% series preferred stock at 102⅝ per share plus dividend.

MONMOUTH PARK JOCKEY CLUB has filed a registration statement for $1,600,000 10-year 6% cumulative income debentures and 230,000 shares of common stock, one cent par value, to be represented by voting trust certificates. Upon completion of the financing the underwriter, Bond & Goodwin, Inc., will be entitled to purchase 25,000 shares of common stock represented by voting trust certificates, at one cent per share. Proceeds will be use for construction. Filed Sept. 23, 1944. Details in "Chronicle," Sept. 28, 1944.

Offered Oct. 31, 1944 in units of $1,000 debentures and 100 (v.t.c.) share of stock at $1,001 per unit on a when, as and if issued basis and subject to the approval of subscribers by the New Jersey Racing Commision.

POTOMAC EDISON CO. has filed a registration statement for $16,981,000 first mortgage and collateral trust bonds, series due 1974. Proceeds from sale, with additional funds of company, will be used for the redemption of $11,981,000 first mortgage gold bonds, series E, 5%, at 105, and $5,000,000 first mortgage gold bonds, series F, 4½%, at 107½, in each case plus accrued interest. Filed Sept. 22, 1944. Details in "Chronicle," Sept. 28, 1944.

Awarded Oct. 31 on bid of 101.402 with an interest rate of 3% to W. C. Langley & Co. and associates.

Offered Nov. 2, 1944, by W. C. Langley & Co. and associates at 102½ and accrued interest.

THE OLIVER CORPORATION (name changed from Oliver Farm Equipment Co.) has filed a registration statement for 82,000 shares of 4½% cumulative convertible preferred stock ($100 par). Holders of common stock of record Oct. 13 were given the right to subscribe for the new stock at par ($100) at rate of one new share for each eight common shares held. Subscription warrants expired 3 p.m. on Oct. 25, 1944. The underwriters purchased any shares not subscribed for by the stockholders. Company will apply $1,505,625 of the net proceeds to the payment at 100⅜ of all promissory notes payable to banks in the aggregate amount of $1,500,000. Company expects that $4,500,000 of the proceeds will be used in the improvement and modernization of its plants, and the balance will be added to working capital. Filed Sept. 23, 1944. Details in "Chronicle," Sept. 28, 1944.

Unsubscribed portion (6,296 shares) purchased by underwriters headed by Blyth & Co., Inc. and sold at $106.50 per share, without a general public offering.

RESISTOFLEX CORP. has filed a registration statement for 100,000 shares of common stock ($1 par). Proceeds for additional working capital. Filed Sept. 16, 1944. Details in "Chronicle," Sept. 21, 1944.

Offered Nov. 1, 1944 by Herrick, Waddell & Co., Inc., at $4 per share.

VAN RAALTE COMPANY, INC., has filed a registration statement for 129,281 shares of common stock (par $10). Holders of common stock of record Oct. 16, 1944 are given the right to subscribe to the 129,281 shares of common stock at $10 per share, in the ratio of one additional share for each share held. Subscription rights exercisable on and after Oct. 17, 1944, expire Nov. 14, 1944. If all of the common shares offered are subscribed for it is estimated company will receive a net amount of $1,262,810. The company will use $1,110,210 of such proceeds to redeem, on March 1, 1945, the 9,654 shares of its 7% cumulative first preferred stock at $115 per share, and the balance of the proceeds will be added to working capital. In the event that proceeds from sale of common stock offered to stockholders are insufficient to redeem the preferred stock, the company will use its own treasury cash to make up any deficiency. Not underwritten. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

> **NEW FILINGS**
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> **List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.**

SATURDAY, OCT. 28

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds 3½% series due Nov. 1, 1974, and 10,000 shares of 5% preferred stock, par $100. Bonds and preferred stock are to be offered for sale at competitive bidding. Net proceeds estimated to be approximately $5,605,000, together with such cash from the company's general funds as may be required, will be used to redeem $6,065,500 first mortgage 5% series A bonds due Feb. 1, 1979. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

FEDERAL MACHINE & WELDER CO. has filed a registration statement for $2,000,000 15-year 5% sinking fund debentures due Sept. 1, 1959. Proceeds for working capital. Central Republic Co., Inc. and Peltason, Tenenbaum Co. are principal underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

HARRIS MANUFACTURING CO. has filed a registration statement for 60,000 shares of 7% cumulative convertible class A stock (par $5) and 120,000 shares of class B (par $2) reserved for conversion. The 7% cumulative convertible class A stock will be offered at $5 per share. Proceeds will be used for working capital. Nelson Douglass & Co. heads the list of underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 19, 1944.

SUNDAY, NOV. 5

TRAILER COMPANY OF AMERICA (named to be changed to Trailmobile Co.), has filed a registration statement with the Securities and Exchange Commission, for 80,000 shares of common stock, par $5. Of the total 40,000 shares of common are being offered pro rata to preferred and common stockholders at $7 per share, with provision for all stockholders, except the Columbia Terminals Co., the largest individual stockholder, to subscribe for additional shares which may remain unsubscribed. Columbia Terminals will purchase the remainder of the 40,000 shares which are not subscribed for by other stockholders. The remaining 40,000 shares will be offered to the public at $7 per share. Proceeds will be used for additional working capital. Underwriters are Paul H. Davis & Co., and Bacon, Whipple & Co., both of Chicago, and W. E. Hutton & Co., Cincinnati. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 26, 1944.

GENERAL TIME INSTRUMENTS CORP. has filed a registration statement for 38,380 shares of 4¼% cumulative preferred stock (par $100). Corporation will offer to holders of outstanding 38,380 shares of 6% preferred stock the right to exchange such shares on basis of one share of 6% preferred for one share of new 4¼% preferred, plus $7, together with a cash dividend adjustment on the 6% preferred to date fixed for exchange. If all the 6% stock is not exchanged the corporation will retire as of Jan. 1, 1945, or as soon thereafter as possible between 4,000 and 5,000 shares of the unexchanged 6% preferred with funds it has available. Shares of new preferred not issued in exchange will be sold to underwriters and proceeds with other funds of the company used to retire balance of outstanding 6% preferred stock at the redemption price of $110 per share. Underwriters are Kidder, Peabody & Co., W. E. Hutton & Co., Lee Higginson Corp., Stone & Webster and Blodget, Inc., Glore, Forgan & Co., and Hornblower & Weeks. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 24, 1944.

MONDAY, NOV. 6

BRUNSWICK-BALKE-COLLENDER CO. has filed a registration statement for 30,000 shares of common stock (no par value). The shares are issued and outstanding and are being sold by two stockholders, R. F. Bensinger and B. E. Bensinger, 15,000 shares each. Underwriters are Lehman Brothers and Goldman, Sachs & Co., each underwriting 7,500 shares for each account. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

GOODALL WORSTED CO. (name changed to Goodall-Sanford, Inc.) has filed a registration statement for $2,800,360 3½% sinking fund debentures and 246,566 shares of common stock (par $10). The securities are issued and outstanding. The debentnures and common stock are outstanding securities of the company which are being sold by stockholders of the company to the underwriters. Underwriters are Union Securities Corp., W. C. Langley & Co., Blyth & Co., Inc., First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Stone & Webster and Blodget, Inc., A. C. Allyn & Co., Inc., Hemphill, Noyes & Co., Paul H. Davis & Co., F. S. Moseley & Co. and E. H. Rollins & Sons, Inc. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

HOUSTON LIGHTING & POWER CO. has filed a registration statement for $30,000,000 first mortgage bonds due 1974. Company will offer the bonds for sale under the Commission's competitive bidding rule with the successful bidder naming the interest rate. Offering price to the public will be filed by amendment. Net proceeds will be used to redeem at 105, together with accrued interest, the outstanding $27,500,000 first mortgage bonds 3½% series due 1966. Any balance of net proceeds will be added to working capital. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

WEDNESDAY, NOV. 8

PITTSBURGH COKE & CHEMICAL CO. has filed a registration for $3,400,000 first mortgage bonds, 3½% series, due Nov. 1, 1964. Net proceeds together with such additional funds as may be necessary will be applied to the redemption of $3,455,000 first mortgage bonds, 4½% series A, due March 1, 1952, at 103 and accrued interest. Hemphill, Noyes & Co. head the group of underwriters, with names of others to be filed by amendment. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

GLEANER HARVESTER CORP. has filed a registration statement for 177,689 shares of common stock, $2.50 par. The stock is issued and outstanding and does not represent new financing. Of the 300,000 shares of common outstanding as of Sept. 11, 1944, Commercial Credit Corp. owned 177,689 or 59.22%, which shares are being sold by Commercial to underwriters. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

SHAMROCK OIL & GAS CORP. has filed a registration statement for 101,593 shares of common stock (par $1). The shares are issued and outstanding. Kidder, Peabody & Co. is named principal underwriter. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

THURSDAY, NOV. 9

AERONCA AIRCRAFT CORP. has filed a registration statement for 75,000 shares of 55-cent cumulative convertible preferred stock (par $1), and 33,600 shares of common (par $1). Of the common stock to be offered, 25,000 shares are for account of the company and 8,600 shares for the account of a stockholder. Proceeds will be used to increase company's working capital. The 8,600 shares being sold by a stockholder are owned by Carl I. Friedlander who will receive the proceeds. F. Eberstadt & Co., New York, is principal underwriter. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

FRANKLIN STORES CORP. has filed a registration statement for 200,000 shares of capital stock of which 114,000 are being sold by the company and 86,000 shares by Frank Rubenstein, President and director. Company will use proceeds for general corporate purposes. Van Alstyne, Noel & Co. heads the group of underwriters, with others to be named by amendment. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

SATURDAY, NOV. 11

KEYES FIBRE CO. has filed a registration statement for $1,800,000 first mortgage sinking fund 4% bonds, series A, due Oct. 1, 1959. Proceds will be used to provide funds for the redemption of $1,137,500 first mortgage sinking fund 4½% bonds and for additions to manufacturing facilities of the company. Coffin & Burr, Inc., is named principal underwriter. Filed Oct. 23, 1944. Details in "Chronicle," Oct. 26, 1944.

SUNDAY, NOV. 12

COLLINS RADIO CO. has filed a registration statement for 20,000 shares of $2.75 cumulative preferred stock, $47.50 par value, with warrants attached to purchase 20,000 shares of common stock, and 160,000 shares of common stock, par $5, of which 140,000 shares are to be publicly offered and 20,000 are to be reserved for issuance upon exercise of warrants. The warrants expire Dec. 1, 1949.

Address—835 35th Street, N. E., Cedar Rapids, Iowa.

Business—Manufacture and sale of radio communication equipment.

Offering—Price to the public will be supplied by amendment.

Proceeds—Proceeds from the sale of the preferred and common stocks will be added to the general funds of the company and used to augment working capital and in connection with transition from wartime to peacetime operation and reestablishment and expansion of peacetime business.

Underwriting—Lee Higginson Corp., Chicago, is named principal underwriter.

Registration Statement No. 2-5524. Form S-2. (10-24-44).

JESSOP STEEL CO. has filed a registration statement for $1,000,000 first mortgage 5% sinking fund bonds due Nov. 1, 1954.

Address—Washington, Pa.

Business—Manufacture and sale of high-grade specialty steels.

Offering—The offering price to the public will be supplied by amendment.

Proceeds—For general corporate purposes.

Underwriting—Paul H. Davis & Co., and Dempsey & Co., both of Chicago.

Registration Statement No. 2-5525. Form S-1. (10-24-44).

UNIVERSAL CAMERA CORP. has filed a registration statement for 50,000 shares of 80-cent cumulative dividend preferred stock, par $5 per share.

Address—28 West 23rd Street, New York City.

Offering—As to 25,000 shares being offered the public the offering price is $10 per share, and as to 25,000 shares being offered New York Merchandise Co., Inc., the price is $8.75 per share. In each case proceeds to company after underwriting discounts will be $8.50 per share before expenses.

Proceeds — Will be used for general corporate purposes.

Underwriter—Floyd D. Cerf Co., Chicago.

Registration Statement No. 2-5526. Form S-2. (10-24-44).

MONDAY, NOV. 13

HAMILTON FUNDS, INC., has registered following securities: Series H-B1 25,000 shares, H-B2 25,000, H-B3 25,000, H-C7 500,000, H-C8 25,000 and H-DA 500,000 shares.

Address—320 Boston Building, Denver, Col.

Business—Diversified open-end investment company.

Underwriting — The Hamilton Management Corp. supervises the operation of the corporation and provides investment management services.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5527. Form S-5. (10-25-44).

WEDNESDAY, NOV. 15

CURLEE CLOTHING CO. has filed a registration statement for 52,290 shares of class A common and 22,410 shares of class B common. The shares are issued and outstanding and do not represent new financing by the company.

Address—1001 Washington Avenue, St. Louis, Mo.

Business — Manufacturer of men's suits and overcoats.

Offering—Price to the public is to be supplied by amendment.

Proceeds—The proceeds will go to the estates of S. H. Curlee and S. H. Curlee, Jr., which are selling the shares.

Underwriting — Stifel, Nicolaus & Co., Inc., St. Louis, is named principal underwriter.

Registration Statement No. 2-5528. Form S-2. (10-27-44).

SATURDAY, NOV. 18

ADMIRAL CORP. has filed a registration statement for 216,000 shares of capital stock, par $1. Of the total 150,000 shares are being sold by the company and 66,000 shares by certain stockholders.

Address — 3800 West Cortland Street, Chicago.

Business — Company's pre-war business was manufacture and sale of radio and radio phonograph combinations.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—The proceeds to the company will be used for additional working capital.

Underwriting—Dempsey & Co., Chicago, is named principal underwriter.

Registration Statement No. 2-5529. Form S-1. (10-30-44).

> **DATES OF OFFERING UNDETERMINED**
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> **We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.**

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

BASSETT FURNITURE INDUSTRIES, INC., has filed a registration statement for 12,000 shares of common stock (par $10). The shares are issued and outstanding and do not represent new financing. Price to the public is $26.50 per share. Scott, Horner & Mason, Inc., Lynchburg, Va., is principal underwriter. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,000,000 general mortgage bonds, 3% series due 1974. The bonds will be offered for sale under the Commission's competitive bidding rule. Net proceeds with other funds of the company or other borrowings will be applied to the redemption of outstanding $45,000,000 general mortgage bonds, 3¾% series due 1962, at 104, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½. Filed Sept. 29, 1944. Details in "Chronicle," Oct. 5, 1944.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% cumulative series 2 preferred, par $100. To be sold to officers and employees of company and Curtiss Candy Co. and its subsidiaries. Price $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle," Sept. 21, 1944.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

FOREMOST DAIRIES, INC., has filed a registration statement for 13,000 shares of preferred stock, 6% cumulative, par $50, and 75,000 shares of common, 20-cent par value. The shares are issued and outstanding and the offering does not represent new financing. Allen & Co., New York, head the list of underwriters. Price to the public is $50 per share for the preferred stock and $7 per share for the common. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 297,500 shares of common stock (par one cent). Of the total 200,000 shares will be sold by the company, 95,000 shares will be issued to stockholders upon exercise of options and 2,500 shares will be sold by another stockholder. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) preferred stock. Holders of more than 9,000 shares of preferred, including British Type Investors, Inc., and Empire American Securities Corp. have stated that such stock will be converted into common stock and not presented for redemption, and company's statement said it is probable that other holders of preferred will take similar action. Balance will be used to record, manufacture and sell phonographic records and working capital. Proceeds to Majestic on sale of the 95,000 shares upon exercise of options amounting to $112,499 will be added to working capital. Kobbe, Gearhart & Co., Inc. is principal underwriter. Filed Oct. 12, 1944. Details in "Chronicle," Oct. 19, 1944.

MOBILE GAS SERVICE CORP. has filed a registration statement for $1,400,000 first mortgage bonds, series due Oct. 1, 1964, 6,000 shares of cumulative preferred stock, par $100, and 100,000 shares of common stock, par $7.50. All three classes of securities are to be offered for sale at competitive bidding, with the successful bidder naming the interest rate on the bonds and the dividend rate on the preferred stock. The bonds and preferred stock are being offered for the account of the corporation, while the common stock is being offered by Consolidated Electric & Gas Co., parent, which owns all of the common shares of company, except directors' qualifying shares. Company will apply the proceeds from sale of bonds and preferred stock, estimated at not less than $2,000,000, together with general funds, to the redemption of $1,400,000 of first mortgage bonds, 3¾% series due 1961, at 104½ and to the redemption of 6,000 shares of 6% cumulative preferred stock at $110 per share. Filed Oct. 4, 1944. Details in "Chronicle," Oct. 12, 1944.

The bonds were awarded Nov. 1 to the Massachusetts Mutual Life Ins. Co. on a bid of 100.2598, carrying a 3% coupon.

The preferred stock was awarded to The First Boston Corp. on a bid of 100.516, carrying a dividend rate of 4.90%.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

S AND W FINE FOODS, INC. has filed a registration statement for 75,000 shares of common stock (par $10). Proceeds for working capital which may be used for plant improvements and office and warehouse expansion. Blyth & Co., Inc. are underwriters. Price to public $16 per share. Filed Sept. 28, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Ang. 18, 1944. Details in "Chronicle," Aug. 24.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

WYANDOTTE WORSTED CO. has filed a registration statement for 120,000 shares of common stock (par $5). The shares are issued and outstanding and do not represent new financing. Shields & Co. heads the group of underwriters. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

Municipal News & Notes

While consideration is being given to the possible volume of municipal financing in the transition period and to the possible impact of such borrowing on price levels, there are obviously a number of other factors regarding the post-war municipal structure deserving of equal consideration.

Foremost among them concerns the probable shift of population from communities and areas which are currently the abode of thousands of migratory war workers drawn from their original habitats. Because of the vest increment in population, these areas are enjoying a degree of fiscal prosperity unequalled at any period in the past. It is true, of course, that the bulk of the financial gains has for the most part accrued to State treasuries. However, the improvement in local finances has been quite formidable.

Furthermore, it is obvious that should an exodus of war-created population increases develop in important degree, the local communities stand to suffer proportionately greater, financially speaking, than the States. This for the perfectly natural reason that their sources of revenue are greatly restricted as compared with the avenues available to the States.

Although any discussion of possible population shifts may be considered premature at this time, it would seem amply justified on several counts. Not the least of these is the emphasis now being applied to discussions involving the contribution expected of the States and their local taxing units in bridging the anticipated unemployment gap in the transition period.

Both President Roosevelt and Governor Dewey, it may be noted, have made reference to the subject during the course of their Presidential campaign addresses.

More specifically, are the increasing number of reports of post-war improvement programs already formulated or in the process of development by States and municipalities. Much of the cost of these projects apparently is expected to be obtained through the issuance of bonds. Many of them, of course, are predicated on the assumption that large-scale financial aid will be extended by the Federal Government.

It is not entirely clear, of course, in view of the vast debt with which the Government will emerge at the close of the war, how the Government can conceivably undertake additional financial commitments on a scale now commonly supposed by exponents of public works on a vast scale. Be that as it may, we are at this time concerned with the subject as it concerns the lower levels of Government.

It is with this thought in mind that we thought it appropriate to consider the widely expected flood of new municipal borrowing in relation to the possible probable shifts in population that may develop when the present demand for war production has materially eased and has finally ceased. It is true, as already noted, that many of the projects now envisaged are intended to be self-sustaining in character and therefore to be financed by revenue bonds. However, it is likely that, as in the past, the bulk of the borrowing would comprise general obligation debt, payable from ad valorem taxes on real property.

Regardless of what form the debt is to take, the danger is no less real that many local officials may be inclined to base their credit needs and requirements on conditions as now prevailing, rather than in light of more normal circumstances. Should this tendency develop, the chances are that incalculable damage would be done to the entire structure of municipal credit.

This is not to infer, of course, that the present excellent credit standing of most communities will be endangered by the incurrence of new obligations to finance war-deferred improvements and necessitous plant improvements. It is clear, however, that there should be no room in such a program for projects which, of their very nature, are utopian in character and not justified on either economic or practical considerations.

In short, the need is for local communities to exercise the utmost caution and sound judgment in developing their post-war programs, always remembering that present conditions with respect to population, etc., may change radically when victory has been achieved. By taking steps to guard against ill-advised expansion of debt, the local units of government will be helping themselves and also make a vital contribution to the development of a sound national peacetime economy.

With reference to the subject of debt-paying capacity, it may be noted that not a few authorities are of the opinion that the ad valorem property tax, which supports the bulk of outstanding State and local debt, will have to be supplemented by other revenue sources in order to meet fiscal requirements. This was noted, for example, by Dr. Harold Groves, Chairman of the Economics Department at the University of Chicago, in speaking at the 21st annual conference of the American Municipal Association in Chicago several days ago.

Dr. Groves told municipal officials that the "financial problem of cities is due largely to the unpopularity and the decline in elasticity of the general property tax." He recommended as a possible source of new revenue, a municipal income tax, and observes that "in the last ten years it has become increasingly evident that there is a bottom to the property tax barrel."

Atlantic City Limited Exchange Offers Announced

Formal announcement was made Oct. 27 of a limited offer of exchange of new bonds for outstanding Atlantic City, N. J., 3½%-4% bonds dated July 1, 1935. The offer of exchange, which does not include the water bonds, is being made on behalf of the city by a nationwide syndicate headed by Stifel, Nicolaus & Co., Inc., of Chicago.

Subject to confirmation and up to amounts available, the offer is to accept bonds of the old issue in exchange for new bonds dated June 1, 1944. These latter consist of $9,305,000 serial refunding bonds of 1944, as part of an authorized issue of $12,933,000 3%-3¼% bonds with maturities 1950 to 1967; and $7,000,000 of 3% refunding bonds of 1944, due Dec. 1, 1967, as part of an authorized issue of $7,500,000 optional 1945 to 1954.

Details of the exchange offer are set forth in copies of the offer of exchange available through members of the syndicate, or Wainwright, Ramsey & Lancaster, New York.

Need Increased Output of Farm Machinery After War to Meet Nation's Food Requirements

J. A. Krug, Chairman of the War Production Board, has been called upon by President Roosevelt to give all possible assistance in modernizing and maintaining the country's farm machinery, to the end that American agriculture will be prepared to meet the demands upon it for high food production in the post-war period. In a letter to Mr. Krug, the President stated that "wartime experience has demonstrated that a fully employed America will consume food in quantities substantially in excess of the pre-war period." He added that "our plans call for maintaining full employment at home. The consumption of food at home, and hence the production of food for consumption at home, must remain at high levels to satisfy the needs and demands of a fully employed America."

The President's letter, made public Oct. 13 follows:

"Dear Mr. Krug:

"I am sure that in your plans for the reconversion of industry to civilian production you will want to give strong recognition to the needs of many American farmers for increased supplies of farm machinery.

"I know that there has been a substantial increase in the production of most types of farm machinery during the past year, which has made it possible for the War Food Administration to eliminate most of the rationing of farm machinery. It is necessary, however, that we further assist the farmer along these lines during the critical production period which yet lies ahead.

"During the war we have called upon American agriculture to produce food in unprecedented quantities. To these calls the American farmer has responded with patriotic fervor.

"Agricultural production has reached new high levels through the hard work of our farm people. In achieving the production of more than one-third more food than in the pre-war period, our farmers have had to overcome the handicap of shortages of labor and of farm machinery.

"Our farm working population has been diverted to war jobs in industry and to the armed forces to the extent of more than 4,000,000 workers. Farm machinery has been scarce because of the fact that the materials and facilities which would otherwise have gone into the production of farm machinery have been needed for military trucks, tanks, planes, landing craft, guns and other urgent war purposes.

"Our unprecedented war production of food has, therefore, been accomplished by harder work and longer hours on the part of our farm people, by more intensive use of farm machinery, and by the seasonal use of many workers untrained in agriculture. The nation will always be grateful to the American farmer for this achievement.

"In this period of high production and intensive use of agricultural machinery, many farmers have not been able to fill their normal replacement programs for their farm machinery. They now find themselves in the position of conducting their farming operations with farm machinery and equipment much of which is obsolete or depreciated beyond the point where it can be used with maximum efficiency.

"Wartime experience has demonstrated that a fully employed America will consume food in quantities substantially in excess of the pre-war period. Our plans call for maintaining full employment at home. The consumption of food at home, and hence the production of food for consumption at home, must remain at high levels to satisfy the needs and demands of a fully employed America.

"In the immediate future we will be exporting substantial quantities of food, some of it to aid directly in achieving military victory, some of it through the United States contribution to UNRRA so that the liberated peoples can soon help themselves, and much of it through commercial channels. With the restoration of foreign trade throughout the world, and the removal of many trade barriers, it is to be expected that this country will remain a substantial exporter of agricultural products.

"American agriculture must be prepared for these demands upon its productive capacity. To this end it should be given all possible assistance in modernizing and maintaining its farm machinery.

"Very sincerely yours,

"FRANKLIN D. ROOSEVELT."

Seaboard Of Interest

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange have prepared an interesting arbitrage circular on Seaboard Air Line Railway Co. Copies may be had from the firm upon request.

Attractive Situations

Common and 6% cumulative convertible preferred of the American Bantam Car and Panama Coca-Cola offer attractive situations according to circulars issued by Hoit, Rose & Troster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

Situations Of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

A prospectus issued by Stifel, Nicolaus & Co., Inc., states that upon completion of the whole refunding plan the new debt structure will provide the city with a wide margin of safety and the flexibility necessary to meet changing conditions and will produce a saving of over $3,350,000 over the life of the $22,119,000 debt included in the entire program.

The exchange offer may be withdrawn without notice and the bankers reserve the right then to offer the new bonds for sale.

Interesting Air Situations

Mid-Continent Airlines and National Airlines offer attractive possibilities, according to circulars just issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting releases may be had from the firm upon request.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

"Our Reporter On Governments"

(Continued from page 1937)

Also the 1945 maturities of partially exempt issues will probably get some kind of preferential treatment through an exchange offer, to facilitate their retirement, such as was recently given to the 4% bonds called for payment on Dec. 15, 1944, and these "rights" give added market attraction to these bonds. . . .

Because of these features the partially exempt issues callable in 1945 have attractions that are not embodied in the taxable issues and therefore it is not expected that an adjustment in price will take place to bring their yields in line with the taxable securities since the advantages they enjoy appear to justify the difference in yield, after taxes, between these two obligations. . . . The 1946 retireable partially exempt issues give a slightly better yield after taxes than the taxable issues, and that gives no consideration to the probability that they may be called before taxes change very much. . . . The 1947 taxable issues appear to be slightly more attractive than the partially exempt issues, which have to make minor adjustments to bring them in line with the taxable securities, and for the 4¼s this is about 4/32 and for the 2s about 16/32. . . .

The 2¾% partially exempt retireable in 1948 give the same yield, after taxes, as the taxable securities, while the 2½% and 2% obligations would have to undergo a downward price adjustment, about 16/32 for the former and 21/32 for the latter, to put them on the same basis as the comparable taxable security. . . .

The prices of the 1949 partially exempt issues, that are callable in that year, indicate that the 3⅛% bonds would have to move down about 9/32 to be in line with the comparable taxable issue, while the 2½% issue gives a slightly better tax-free return than the taxable bond. . . . The partially exempt issues that are retireable from 1950 on, with the exception of the 2% due 6-15-53/55, which would have to decline about 6/32 to be in line with the comparable taxable issues on a tax-free yield, give a tax-free yield that is larger than that available from the taxable issues, which means that for these issues to be in line with the taxable issues on a tax-free yield basis, there would be price advances from these levels. . . .

LONGER DATED BONDS

For the 2½% due 9-15-50/52 this would be about 2/32: for the 2¾% due 6-15-51/54 about 12/32; the 3% due 9-15-51/55 about 14/32; the 2¼% due 12-15-51/53 about 1/32; the 2¼% due 6-15-54/56 about 8/32; the 2⅞% due 3-15-55/60 about 1½ points; the 2¾% due 9-15-56/59 about one point and 27/32; the 2¾% due 6-15-58/63 about 3 points, and the 2¾% due 12-15-60/65 about 4½ points. . . .

It was pointed out that the partially exempt issues at present prices have substantial to offer present holders as well as prospective purchases, and the longer term issues appear to be particularly attractive at these levels. . . .

It is the considered opinion among financial and tax experts that realistic tax rates will prevail in the post-war period and these rates will be high enough to balance the budget and retire debt, and that seems to indicate that the 40% rate, such as we have today, will be with us for a considerable period of time. . . .

BANK PARTICIPATION IN SIXTH WAR LOAN

The Treasury announced last week that commercial banks with savings accounts would be allowed to subscribe to the 2% due Dec. 15, 1952/54 and the 2½% due March 15, 1966/71, to the extent of 10% of their savings deposits or $500,000, whichever is the smaller. . . . It was announced that these subscriptions would not be cumulative, as they were in the Fifth War Loan, but that for the Sixth War Loan only these institutions may purchase the aforementioned bonds to extent of 10% of their saving accounts or $500,000, whichever is less, regardless of the amount that may have been bought in the Fourth and Fifth War Loans. . . .

This is a change in policy, and it appears to be brought about by the fact that savings deposits have increased substantially in recent months, and this will allow the commercial banks with savings deposits to get a larger amount of securities at the issue price to cover growing savings deposits. . . .

It likewise indicates that the banks will not have to pay premiums for as many of their bonds as they did in the Fifth War Loan. . . . The 2% due Dec. 15, 1952/54 appear to be the most desirable issue for the banks, and it is indicated their purchases will be concentrated principally in this maturity rather than in the longer term issue. . . .

FIFTH WAR LOAN PURCHASES

During the Fifth War Loan the commercial bank bought directly $765,000,000 of securities with 78% of the total being the 2% due 3-16-52/54 and 7% in the 2½% due 3-15-65/70, while the Series F Savings Bonds accounted for 5% and 10%, respectively, of the total. . .

The Fifth War Loan resulted in the Government obtaining $20,639,000,000 exclusive of purchases for Treasury investment accounts and commercial banks, which when added to this figure, gave a final total of $21,997,000,000. . . .

The commercial banks bought directly $765,000,000, or just slightly under 4% of all the securities sold during the drive. . . . Now that the commercial banks with savings accounts can purchase the 2% and 2½% bonds to the extent of 10% of savings accounts, or $500,000, whichever is the smaller, and with cumulative restrictions removed, the question is raised as to how many securities these institutions may be expected to purchase directly in the Sixth War Loan. . . .

PROBABLE VOLUME

The more than 6,600 commercial banks, covered in the monthly survey of the United States Treasury Bulletin, account for about 95% of all the government securities owned by banks which are members of the Federal Deposit Insurance Corp., and these institutions will probably be the principal buyers of the 2% and 2½% bonds that will be available to these banks having savings deposits, in the coming drive. . . . Various estimates have been made but it seems as though a figure of between $250,000 and $300,000 per bank, of these bonds, is what most of the experts seem to think might take place, so that between $1,650,000,000 and $1,980,000,000 of the 2% and 2½% bonds and savings bonds may be bought directly in the Sixth War Loan or from 10% to 12% of the total amount likely to be raised in the drive. . . . To the extent that these bonds are bought by the commercial banks it results in increased deposits and purchasing power. . . . Also in the amount that these bonds are bought directly by the banks, there will be that much less indirect support by these institutions in the form of purchases of already outstanding issues. . . . As far as market support for outstanding issues is concerned during the drive, the fact that the banks may not buy as many of these securities as they did in the Fifth War Loan, will not mean too much, since Federal is well prepared to take up the slack and keep the market for outstanding issues on an even keel.

"Investors' Almanac"

The October-December issue of Estabrook & Co.'s "Investors' Almanac" is now being distributed. Copies of this "Almanac" which contains a discussion of the security markets, may be obtained upon request from Estabrook & Co., 15 State Street, Boston, Mass., and 40 Wall Street, New York City, members of the New York Stock Exchange.

Situation Looks Good

Wellman Engineering Company offers interesting possibilities according to a circular issued by Wm. J. Mericka & Co., Inc., 29 Broadway, New York City, members of the Cleveland Stock Exchange. Copies of this circular may be had from the firm upon request.

Penn. Salt Interesting

New stock of the Pennsylvania Salt Manufacturing Co. offers an interesting situation according to a circular being distributed by Graham, Parsons & Co., 1421 Chestnut Street, Philadelphia, Pa., members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

Quinn in Boston

BOSTON, MASS. — Saul C. Quinn has opened offices at 19 Congress Street to engage in the investment business. Mr. Quinn in the past was with Soucy, Swartswelter & Co.

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